PROVINCIAL AUDITOR
of Saskatchewan

June 3, 2013

The Honourable Dan D'Autremont
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my 2013 Report – Volume 1, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Bonnie Lysyk

Bonnie Lysyk, MBA, CA
Provincial Auditor

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1500 Chateau Tower · 1920 Broad Street Regina, Saskatchewan S4P 3V2
t 306.787.6398 *f* 306.787.6383 *e* info@auditor.sk.ca
www.auditor.sk.ca

2013 Report – Volume 1

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Reflections

Since our December 2012 public report, we have completed audits covering a range of areas. I would like to highlight some of our observations under three themes:

1. Protecting Saskatchewan Residents
2. Planning for Saskatchewan's Future
3. The Importance of Governance

Protecting Saskatchewan Residents

Part of the government's role is to protect the health and safety of Saskatchewan residents both through its delivery of services and through its regulatory role. It also needs to ensure it uses public money efficiently and effectively.

- **Regina Qu'Appelle Regional Health Authority needs to improve its processes for scheduling surgeries and collect more information on the utilization of its surgical facilities** (Chapter 20) – Regina Qu'Appelle is one of the largest regional health authorities in Saskatchewan, serving a population of 260,000 people and providing surgical procedures for many surrounding health authorities. With such a large number of people to serve, the efficient use of surgical facilities is a critical component in providing patients with the care they need on a timely basis.

  We looked at Regina Qu'Appelle's processes to support the effective and efficient use of surgical facilities. We found that Regina Qu'Appelle could benefit from several improvements in this area. Regina Qu'Appelle does not track, monitor, and analyze the planned versus actual usage of surgical facilities. Better tracking, analysis, and monitoring of usage should help Regina Qu'Appelle identify and address factors that inhibit the efficient use of existing surgical facilities and should help it identify where, when, and if more resources are needed. In addition, Regina Qu'Appelle needs to develop a uniform set of standards for using surgical facilities, clear guidelines for allocating surgical time to doctors, and formal, standardized processes for scheduling surgeries. It also needs to set efficiency-based performance measures to help it assess and then improve upon its use of surgical facilities. We encourage other regional health authorities to use the audit criteria and recommendations in this chapter to assess their own processes for providing surgical services in their regions.

- **Regina School Division No. 4 and Regina Roman Catholic Separate School Division No. 81 generally provide students with a safe physical environment at their schools** (Chapter 13) – A learning environment that is both physically and psychologically safe is essential for students to be successful at school. In Saskatchewan, school divisions are responsible for student safety. We examined physical safety processes at schools within the Regina School Division No. 4 and the Regina Roman Catholic Separate School Division No. 81. Overall, both school divisions had good practices in the areas of emergency response planning, policies over the use of gym equipment, handling of occupational and health matters, and school maintenance. To enhance the processes already in place, we make eight recommendations that include further assessing the level of physical security required for schools, setting requirements for safety training, ensuring air quality testing is conducted when there is construction in a school during the school year, developing and implementing safety manuals for science and practical and applied arts programs, and ensuring safety equipment is functioning and accessible. We encourage other school divisions to assess their own student safety processes using the audit criteria in this chapter.

- **The Ministry of Social Services is doing a reasonable job in placing permanent wards and long-term wards in permanent homes** (Chapter 14) – Children under the care of the Ministry for more than 18 months become permanent or long-term wards based on court orders. As of December 31, 2012, the Ministry had 1,375 wards in its care requiring long-term or permanent homes. We found that the Ministry could further improve its effectiveness by following its policies in two key areas: striving to place children on its adoption list within 120 days and documenting the permanency plans for permanent wards and long-term wards. We also think that there would be value for the Ministry in collecting information that would allow it to know what the outcomes (e.g., education level reached) are for children no longer wards of the Ministry, so that it can determine whether its services meet children's needs over the long term.

- **The Water Security Agency (Agency) effectively regulates public waterworks but it needs to improve its processes that serve to reduce the risk of a public waterworks providing unsafe drinking water** (Chapter 17) – Public waterworks owners are responsible for providing safe drinking water to the people of Saskatchewan. The Water Security Agency regulates public waterworks owners by issuing permits, monitoring water test results, inspecting waterworks, and enforcing permits. The Agency has several effective processes in place for overseeing waterworks, including issuing public advisories and posting inspection results in a timely manner, and reporting regularly on water quality through its SaskH20 website. However, it is behind in conducting timely inspections of public waterworks. In addition, it needs to identify non-compliance of water tests more quickly and establish policies to allow it to take consistent action when waterworks owners do not comply with permits. The Agency also needs to coordinate its efforts with the Ministry of Government Relations to ensure feasible plans for water infrastructure upgrades are in place before new residential developments are approved, and develop an enforcement policy for those waterworks owners that fail to upgrade waterworks for new residential developments.

- **The Ministry of Finance and the Ministry of Environment need to ensure that all contaminated sites are identified and assessed, and that needed cleanup plans are in place to determine the province's liability for the cleanup of contaminated sites** (Chapter 10) – The provincial government is in the early stages of its work to identify and manage contaminated sites where it is responsible for the costs of clean up. Cleanup costs can be expensive. Many government agencies did not have a complete list of all suspected and known sites, and had not completed their assessments of the degree of contamination to fully know what public health and safety risks those sites pose. Also, they had not made decisions on the cleanup. We make four recommendations so that government will have information that it needs to better manage risks caused by contaminated sites and can determine its costs for cleanup.

- **SaskEnergy did not have effective processes to secure its supervisory control and data acquisition (SCADA) system that it uses to monitor and control the physical transportation of gas through pipelines** (Chapter 19) – SaskEnergy delivers natural gas to

358,000 customers throughout Saskatchewan. Natural gas is transported to customers using a pipeline distribution system that covers 92% of Saskatchewan communities. SaskEnergy needs to improve its processes to protect the confidentiality, integrity, and availability of its SCADA system, and associated data. However, we recognize that SaskEnergy has been able to provide safe and reliable operations for many years and has not experienced a major outage resulting from its SCADA system.

Planning for Saskatchewan's Future

Not unlike individuals, governments must think ahead so that they can provide services that not only meet today's needs, but future needs as well. Planning helps ensure that government spends public money on the right things at the right times and is well-positioned to provide effective services and programs when and where needed.

- **The Ministry of Education does not have effective processes for planning for facilities (e.g., schools) to house and support educational programs and instructional services for students in school divisions** (Chapter 8) – Currently, more than 168,000 children attend school each day in 600 schools across 28 school divisions. The population of Saskatchewan has been growing, with a large proportion of this growth in pre-school age children. Our population is also continuing to become more urban. These shifts are causing student enrolment changes across school divisions, with some schools in need of increased capacity while others are underutilized. The Ministry has the challenge of balancing the demand for new schools with the cost of maintaining safe and healthy schools in areas experiencing declining enrolment. We found that the Ministry makes decisions on a "school division-by-school division" basis instead of on an overall basis. The Ministry needs to ensure that system-wide decisions maximize the use of available resources. It needs to develop an overall capital asset strategy and prioritize requests to ensure that the most important projects across the province are approved and completed on a timely basis. It also needs to clarify its policies and update its funding guides so that school divisions understand the Ministry's decision-making and funding processes.

- **The Ministry of the Economy's Saskatchewan Immigrant Nominee Program operated effectively to nominate qualified immigrant applicants to meet the Program's objectives except that the Ministry needs to provide its staff with better guidance and training for assessing relocation and settlement plans and business establishment plans submitted under the Entrepreneur Immigrant Categories** (Chapter 12) – The Immigrant Nominee Program is intended to nominate applicants who will contribute to the economic development of Saskatchewan and become economically established in Canada. The Ministry is responsible for attracting immigrants to Saskatchewan and helping them settle and integrate into communities and workplaces within the province. In 2012, 11,182 immigrants settled in Saskatchewan. Of the new immigrants, 81% (2011 - 78%) were granted permanent resident status by the Federal Government through provincial nomination in prior years. Because of the complexity of assessing plans submitted under the Entrepreneur Immigrant Categories, training and written guidance in assessing these plans is necessary so that staff evaluate applicants fully and consistently. We make five recommendations that include better documenting evidence to explain how decisions are reached on the eligibility and qualifications of immigration applicants.

- **The Saskatchewan Crop Insurance Corporation (SCIC) has good processes for determining AgriStability program benefits for producers, consistently and equitably**

(Chapter 7) – However, SCIC should improve its procedures for determining its annual estimate of program benefit costs and work with the Ministry of Agriculture to develop processes to ensure that March 31st estimates for the AgriStability program benefits are reasonable, consistent, and current. The AgriStability Program is a support program to assist producers who experience large income losses. It covers most types of farm operations including grain farms, livestock operations, and produce operations.

The Importance of Governance

Governance is the act of governing. It relates to decisions that define expectations, grant power or verify performance. Governance plays an important role in organizations at all levels, from governance frameworks for operational activities to board organizational governance.

- **Neither the Board of Directors of the Regina Qu'Appelle Regional Health Authority nor the Ministry of Health received timely, complete, and accurate information on Regina Qu'Appelle's projected budget deficit during the 2012-13 fiscal year** (Chapter 2) – The Ministry of Health had concerns about Regina Qu'Appelle's projected financial information up to the point when Regina Qu'Appelle began to formally project an annual deficit. The Ministry requested that we look at this information. We found that Regina Qu'Appelle needed to improve the financial information it provides to its Board of Directors, improve Board monitoring of that information, and approve budgets on a timely basis.

- **While the University of Regina has many structures and processes in place for protecting its interests (e.g., financial, reputational, ownership) as it fosters research and commercialization of research, these structures and processes need improvement** (Chapter 15) – In part because of its decentralized governance framework, the University did not have sufficient understanding and controls over certain aspects of research operations. Expectations about research and the structuring of research initiatives need to be formally clarified, policies and procedures need to be improved, signing authorities need to be strictly followed, research agreements need to be improved and the rights of the University and research interests need to be better protected and monitored.

- **Results from our survey of board governance at Regional Health Authorities (RHAs) provide a window into the perceptions of board members and executives regarding a variety of governance areas** (Chapter 30) – Overall, board members and executives indicated that they enjoy a positive working relationship. Their views were also aligned when indicating that more financial expertise is needed on their boards. However, the views of board members and executives differed in a number of other more specific areas. We hope this report on the state of RHA governance will serve as a valuable resource for meaningful dialogue between board members, executives, and government and will ultimately further enhance governance in the health sector. The full results of this survey are available on our website at www.auditor.sk.ca.

Denial of Access to Information

- **We were unable to conduct an audit of the processes that the Ministry of Justice uses to rehabilitate young offenders because we were denied access to information by Cabinet** (Chapter 18) – Failing to provide us with this access impairs our ability to fulfill our responsibilities to the Legislative Assembly. Our plan was to examine the Ministry's processes for rehabilitating young offenders aged 12 to 17. We have previously completed audits about the rehabilitation of adult offenders in provincial correctional institutions (2008) and the community (2011).

Saskatchewan has the highest youth crime rate in Canada, at 3.1 times the national average. If young offenders do not receive the right rehabilitation services at the right time, they are more likely to continue to offend into their adult lives and become burdens on society. The Ministry spent $52 million on Young Offender Correctional Services in 2011-12 to work with about 4,400 youth admitted into community sentences, and 500 youth admitted into custody. We planned to conduct this audit because of the importance of the Ministry's work to help prevent youth from repeating criminal activities and continuing into an adult life of crime.

The federal law that restricts access to young offender files specifically refers to the granting of access through either an order of the Youth Court or an Order in Council from Cabinet. Access through either means would permit us to carry out this important audit. The Ministry of Justice worked collaboratively with us and submitted a request to Cabinet to provide us with access to young offenders' case management files. However, Cabinet denied us access while at the same time providing access to others (e.g. employees of the Ministry conducting research and evaluation) through Order in Council. Upon being notified of this decision, I communicated that I would not spend taxpayers' money seeking our own order for access through the courts, when Cabinet could provide us access at no additional cost through an Order in Council.

Follow Up of Past Audit Recommendations

We follow up our past recommendations (and the recommendations of the Standing Committees on Public Accounts and Crown and Central Agencies), to assess whether government agencies have taken actions to address the recommendations that were made during prior audits.

This report includes our follow-up work on recommendations from nine previous performance and information technology (IT) audits (Chapters 21 to 29).

The following agencies implemented all of their recommendations in the following subject areas:

- Finance – Provincial Sales Tax Selection Follow Up (Chapter 23)
- Sunrise Regional Health Authority - Scheduling Nursing Staff Follow Up (Chapter 26)
- Northern Municipal Trust Account, Power Corporation Superannuation Plan, and the Liquor Board Superannuation Board (Chapter 6)

During the past year, school divisions have improved their financial-related controls. Chapter 5 highlights that a number of control recommendations were implemented over the past year.

The Ministry of Justice has implemented six of the eight recommendations we made in 2010 regarding the Ministry's processes for managing provincial correctional centres' labour costs related to absenteeism. Since 2010, the Ministry has done significant work to improve absenteeism in provincial correctional centers resulting in reduced overtime costs and fewer average sick days for correction workers.

Conversely, the Ministry of Justice has not yet implemented any recommendations from our 2011 audit of community rehabilitation of adult offenders.

Acknowledgements

I would like to thank the many individuals who work in Government ministries and agencies for assisting us in doing our work and acknowledge the assistance of the appointed auditors who worked with us over the past six months.

I would further like to thank the board members and executives of regional health authorities (RHAs) for their time and effort in participating in the survey we conducted on RHA board governance. I trust that they will find the final product interesting and beneficial for discussion and for the continued advancement of RHA board governance.

Finally, I would like to thank my staff for their professionalism and their hard work that went into this report. I appreciate their dedication and belief in the work of our independent Office. Their names follow this acknowledgement.

As an Office, we remain focused on serving the Members of the Legislative Assembly, the Members of the Standing Committee on Public Accounts, and the people of Saskatchewan.

Bonnie Lysyk

Bonnie Lysyk, MBA, CA
Provincial Auditor

Exhibit

Our team at the Office of the Provincial Auditor for Saskatchewan is:

Ahmad, Mobashar
Anderson, Mark
Bachelu, Gaylene
Borys, Angèle
Carlson, Tristan
Clemett, Tara
Deis, Kelly
Dickin, Deann
Dressler, Nicole
Drotar, Charlene
Duran, Jason
Ferguson, Judy
Fink, Diana
Fink, Mary
Galecki, Stephanie
Halladeen, Aaron
Harasymchuk, Bill
Heebner, Melanie
Iles, Amanda
King, Mark
Klassen, Linda
Kress, Jeff
Lefebvre, Jennifer
Leifso, Justin
Lindenbach, Michelle
Longstaff, Lindsay
Lowe, Kim
McIntyre, Mitchell
McKillop, Steven
Montgomery, Ed
Mosley, Whitney
Neher, Kendra
Novakovski, Jade
Nyhus, Glen
Ochieng, Jennifer
O'Quinn, Carolyn
Ortman, Matt
Pattullo, Candice
Pituley, Jonathan
Puchala, Shelby
Rau, Brent
Rowe, Marisa
Russell, Stephanie
Rybchuk, Corrine
Schwab, Victor
Scott, Doug
Shaw, Jason
Shoemaker, Neil
Shorten, Karen
Slatnik, Jennifer
Sommerfeld, Regan
St. John, Trevor
Stroh, Evan
Sych, Larissa
Taylor, Linda
Trivedi, Devanshi
Tomlin, Heather
Volk, Rosemarie
Wandy, Jason
Watkins, Dawn
Weyland, Grant
Wolfond, Josh
Yanyu, Melissa
Yee, Ken
Zerr, Jennifer

Chapter Highlights

ANNUAL INTEGRATED AUDITS

Chapter 1 Municipal Employees Pension Plan

This chapter contains the results of our 2012 audit of the Municipal Employees' Pension Plan (Plan). The Plan's 2012 financial statements are reliable, it complied with its governing authorities, and it had effective controls to safeguard public resources except that additional financial reporting controls are required to ensure that the Plan's financial statements disclose sufficient and appropriate information relating to its investments.

Chapter 2 Regina Qu'Appelle Regional Health Authority

In January 2013, at the request of the Ministry of Health, we examined the processes Regina Qu'Appelle Regional Health Authority (Regina Qu'Appelle) used for the preparation of its 2013 budget and for its 2012-13 financial reporting. The results of our work are included in this chapter.

During 2012, the Board of Directors (Board) of Regina Qu'Appelle received and reviewed incomplete, incorrect, and untimely monthly projected year-end results. This same information was also provided to the Ministry of Health. Regina Qu'Appelle needs to improve its processes for budgeting, financial reporting, and financial oversight.

In November 2012, the Board raised concerns about Regina Qu'Appelle's large deficit. In January 2013, the Board received financial reports which included the correct projected financial forecast that showed that the deficit for the year could total about $24 million. Because management provided the correct projected financial information to the Board so late in the year, the Board could not take timely corrective actions to potentially recover the deficit.

We make six recommendations for Regina Qu'Appelle to help improve its processes.

Chapter 3 Saskatchewan Housing Corporation

The Saskatchewan Housing Corporation (SHC) provides housing and housing services for people who cannot otherwise afford adequate, safe, and secure shelter. SHC's financial statements for the year ended December 31, 2012 are reliable and it complied with authorities governing its activities related to financial reporting, safeguarding resources, revenue raising, spending, and investing.

In 2012, SHC had effective rules and procedures to safeguard public resources except that it did not ensure that its information technology (IT) service provider had tested its disaster recovery procedures. Testing disaster recovery procedures is necessary to ensure that delivery of critical services can continue in the event of a disaster.

This chapter also contains the status of one previous recommendation agreed to by the Standing Committee on Public Accounts.

Chapter 4 Saskatchewan Water Corporation

The Saskatchewan Water Corporation (SaskWater) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, SaskWater's financial statements are reliable.

SaskWater had effective rules and procedures to safeguard public resources except it needs to implement and test a business continuity plan.

This chapter also contains the status of two previous recommendations agreed to by the Standing Committee on Crown and Central Agencies.

Chapter 5 School Divisions

This chapter reports the results of the annual audits of school divisions for the year ended August 31, 2012.

The financial statements of school divisions are reliable and school divisions are complying with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Overall, school divisions have been improving their internal controls. Thirteen school divisions still have work to do to improve segregation of duties, information technology security policies, disaster recovery plans, verification of capital assets, and evaluation of the performance of management.

Chapter 6 Summary of Implemented Recommendations

This chapter provides an update on recommendations that were implemented and are not discussed elsewhere in this report.

PERFORMANCE AND INFORMATION TECHNOLOGY AUDITS

Chapter 7 AgriStability Benefit Payment Processing

Saskatchewan Crop Insurance Corporation (SCIC) administers the AgriStability program, a margin-based support program[1] to assist producers who experience large income losses. The AgriStability program is cost shared between the provincial and federal governments.

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[1] The AgriStability program is referred to as a margin-based program because it compares the producer's current year margin (net income) to the producer's average margin of the previous five years.

SCIC is responsible for having effective processes to determine AgriStability program benefits consistently and equitably. We audited SCIC's processes to determine AgriStability program benefits. SCIC has good processes to determine and pay individual producers' AgriStability benefits. We found that SCIC's processes were effective except that SCIC needs to:

- Document its procedures for reviewing the assumptions and the calculation of the benefit estimates
- Establish procedures to analyze previous estimates of AgriStability benefits and compare the estimates with actual benefits in order to refine its estimate process
- Set targets for its performance measures used to monitor the AgriStability program such as file processing times, administrative costs per file, and customer satisfaction
- Actively monitor to ensure staff do not process AgriStability files where a real or perceived conflict of interest could arise

Both SCIC and the Ministry of Agriculture (Ministry) use estimates for the AgriStability program benefits to calculate their AgriStability expense and liabilities. SCIC and the Ministry need to ensure that these recorded amounts are accurate. SCIC needs to work with the Ministry to develop processes to ensure that the AgriStability estimates are reasonable, consistent, and current.

Chapter 8 Capital Asset Planning for Schools

This chapter describes our audit of the Ministry of Education's (Ministry) capital asset planning processes for facilities to house and support educational programs and instructional services for students in school divisions.

Effective capital asset planning processes help the Ministry to ensure the right size of schools are built in the right location to facilitate the needs of students. The Ministry has the responsibility to oversee capital asset projects for the entire provincial Pre-Kindergarten to Grade 12 system. School divisions are required by the Ministry to identify and manage capital asset projects. Each school division conducts analysis of its capital asset needs compared to its existing capacity and requests Ministry approval for projects to meet its needs.

Saskatchewan's population has been shifting towards becoming more urban, resulting in enrolment changes across school divisions. As a result, in some cases schools are being over utilized, while in other cases they are being under utilized. The Ministry has the challenge of balancing the demand for new schools with the cost of maintaining safe and healthy schools, including those that are experiencing declining enrolment.

Currently, there are 41 approved projects on the Ministry's 2012 Capital Request list (projects completed and currently under construction) that will cost approximately $735 million. The Ministry provided $47 million to assist school divisions in funding capital projects during 2011-12 and estimated it will spend $112.4 million in 2012-13 and $119.6 million in 2013-14.

For the twelve-month period ended December 31, 2012, we found the Ministry of Education did not have effective capital asset planning processes for facilities to house and support educational programs and instructional services for students in school divisions.

The Ministry needs to:

- Develop and use a capital asset strategy that coordinates overall capital needs for the Pre-Kindergarten to Grade 12 system across the province to ensure the most important projects are approved and completed on a timely basis
- Review, update, and communicate to school divisions its capital asset policies (including Funding Guidelines) for the provincial Pre-Kindergarten to Grade 12 system including providing guidance on how it coordinates needs across the province
- Conduct analysis of the provincial Pre-Kindergarten to Grade 12 system capital asset requirements and capacity in order to identify current and future gaps
- Consistently prioritize all capital project requests across the provincial Pre-Kindergarten to Grade 12 system and track those projects
- Select the method of financing for capital projects of school divisions based on the analysis of capital financing alternatives
- Measure the success of its capital asset strategy

In this chapter, we make eight recommendations to assist the Ministry of Education in improving its processes.

Chapter 9 **Finance—MIDAS Financial Annual Audit**

The Ministry of Finance (Finance) is responsible for administrating the financial system used primarily by ministries which serves as the general ledger for the General Revenue Fund. This financial system is called the Multi-Information Database Applications System – Financials (MIDAS Financials). Beginning in 2012, Finance created the Central Accounts Payable unit (Central AP). Central AP is responsible for processing invoices, expense claims, and auditing selective payments.

Each year, we assess whether Finance has effective central controls to manage and secure MIDAS Financials. In 2012, Finance had effective controls with one exception. Finance has not signed service level agreements with its user agencies; therefore, responsibilities for key payment processing activities were not clearly assigned.

Chapter 10 **Identification and Management of Contaminated Sites**

Contamination can pose risks to public health and safety. Where the provincial government has caused contamination or has accepted responsibility for the cleanup of contaminants, it must assess the contamination to know and understand what public health and safety risks exist and decide on actions to address or mitigate those risks. This information takes time and resources to gather and analyze.

New Canadian public accounting standards, coming into effect April 1, 2014, will require the Government to account for and report the expected costs to clean up contaminated sites.

Recording these costs will let the public know what future resources will be necessary for cleanup.

To assess the readiness of the Government in adopting this upcoming accounting standard, we audited whether the Government effectively identified and managed contaminated sites. We focused on ministries and Treasury Board Crown agencies (like school divisions) at risk of being responsible for cleaning up contaminated sites. Seventeen agencies indicated that they are at risk of being responsible for cleaning up contaminated sites (at-risk agencies). At March 2013, ten at-risk agencies had identified over 300 sites with suspected or known contamination with four ministries being responsible for most of those sites.

We concluded that, at March 2013, the Government had not effectively identified or managed contaminated sites. Overall, at March 2013, the provincial government is in the early stages of its work to identify and manage contaminated sites. Eleven of the 17 at-risk agencies acknowledged that they did not have a complete list of all suspected and known sites. For many of the sites they had identified, they had not yet completely assessed the degree of contamination and the public health and safety risks these sites pose. They have not made decisions on the cleanup of many identified sites.

Without a complete list of sites and confirmation of the degree of contamination at identified sites, the provincial government does not know what public health and safety risks the contamination poses and cannot determine what cleanup or risk-management activities (e.g., fencing sites to restrict access) are necessary. Also, it does not know what future resources will be necessary for cleanup.

The Ministry of Finance must ensure agencies gather the key information and make the necessary decisions in sufficient time so that it can record the costs that the provincial government expects to pay for cleanup costs in the Government's 2014-15 Budget and final year-end financial statements. Complete and accurate financial reporting of the Government's liabilities for contaminated sites is important to reflect the full amount of future public resources required for cleanup.

We make four new recommendations and note that two recommendations, previously addressed to the Ministry of Environment that relate to this audit, have not been fully implemented.

Chapter 11

Information Technology Office—Annual Security Audit

The Information Technology Office (ITO) provides information technology (IT) services to 26 government ministries and agencies (clients). ITO has an agreement with a third-party service provider to operate and maintain a network and data centre on behalf of ITO. The data centre includes computers that host client systems and data. ITO needs to have effective controls and ensure its service provider follows effective security processes to protect client systems and data.

All organizations, including ITO, are subject to security threats including cyberattacks. ITO has worked with its service provider to improve data centre security. However, ITO needs to do more to protect systems and data, such as:

- Complete IT security standards for its clients

- Monitor whether the service provider meets all security requirements
- Provide relevant and timely security reports to clients
- Adequately restrict user access to client systems and data
- Adequately configure and update its server and network equipment
- Have a complete and tested disaster recovery plan for the data centre and clients' systems

Until ITO addresses the weaknesses we report in this chapter, systems and data are at an increased risk of loss, disclosure, or unauthorized modification and may not be available when needed.

Chapter 12 Nominating Qualified Immigration Applicants

The Ministry of the Economy (Ministry) facilitates immigration by using the Saskatchewan Immigrant Nominee Program to recommend the nomination of qualified applicants for permanent immigrant status to the Federal Government.

The Federal Government has the sole authority to grant immigration status to individuals. It has agreements with provinces so provincial governments can address local labour shortages through immigration. The Federal Government allocates each province an annual quota of nominations; in 2012, Saskatchewan's quota was 4,000 nominations.

This audit examined the effectiveness of the Ministry's processes to nominate qualified immigration applicants to meet the Saskatchewan Immigrant Nominee Program's needs.

For the eight-month period ended December 31, 2012, we concluded the Ministry of the Economy's Saskatchewan Immigrant Nominee Program operated effectively to nominate qualified immigration applicants to meet the program's objectives except that the Ministry needs to:

- Provide guidance and training for staff to assess the feasibility of relocation and settlement plans and business establishment plans submitted to the Entrepreneur Immigration Categories of the Saskatchewan Immigrant Nominee Program
- Document the support (e.g., date, institution, or person contacted) to explain how decisions were reached on eligibility and qualifications of immigration applicants
- Update quality review policies to reflect its risk-based practice

In this chapter, we describe the key findings for this audit and make five recommendations for the Ministry.

Chapter 13 Physical Safety of Students at School

The Education Act, 1995 (Act) delegates responsibility for student safety to school divisions. The Act contains several sections that direct school divisions to develop procedures for maintenance of schools to ensure standards for safety are met, and to ensure areas such as laboratories, shops and other ancillary accommodations conform to laws and regulations. We audited the effectiveness of processes to provide for the physical safety of students at school for the period March 1, 2012 to February 28, 2013 at Regina School Division No. 4 and Regina Roman Catholic Separate School Division No. 81.

Our audit concluded that for the two school divisions we examined, the school divisions had effective processes to provide for the physical safety of students at school except in six areas. We found that the two school divisions need to:

- Assess the level of physical security required for schools
- Set requirements for safety training to ensure an adequate number of staff are trained in the event of an emergency situation
- Develop requirements for air quality testing to be conducted when construction takes place during the school year
- Develop and implement safety manuals for science and practical and applied arts programs and ensure safety equipment is functioning and accessible
- Conduct assessments of appropriate locations for placement of safety-related signage and items, and provide guidance for maintaining consistent emergency response kits in schools
- Develop and report on student safety performance measures

In this chapter, we describe the key findings of our audit of student safety and make recommendations to the school divisions.

We encourage other school divisions in the province to assess their own student safety processes using the audit criteria in this chapter.

Chapter 14 Processes to Place Minister's Wards in Permanent Homes

Under *The Child and Family Services Act*, the Ministry of Social Services (Ministry) is required to intervene on a child's behalf if the child is in need of protection due to physical, sexual, or emotional abuse or neglect. When children have remained in the care of the Ministry for more than 18 months, they may become permanent wards or long-term wards of the Ministry based on court orders. The Ministry is responsible for planning for the long-term development of these wards, including their placement in permanent homes that provide a safe and nurturing environment.

Our audit for the period July 1, 2012 to December 31, 2012 found that the Ministry had effective processes to place permanent wards and long-term wards in permanent homes (e.g., long-term homes and adoptive homes) except the Ministry needs to:

- Complete and approve policies and procedures for its adoption program including those for addressing complaints or appeals
- Follow its established policies and procedures to formally document the permanency plans in place for permanent wards and long-term wards
- Place children on the adoption list within 120 days as required by the Ministry's policies
- Set performance measures and targets for its adoption program
- Begin collecting and analyzing information related to the outcomes of its services for long-term wards and permanent wards in its care

We make seven recommendations.

Chapter 15 Protecting the University of Regina's Research

The University of Regina (University) was established pursuant to *The University of Regina Act* as a non-profit educational organization. Research is one of the core functions of the University. Research also plays a pivotal role in the University's ability to carry out its other core function, education, since a strong research program helps to attract qualified professors, which in turn attracts students.

The University's research mission is to "use the exceptional talents of research scholars – professors and students – to extend the boundaries of human knowledge and to use these discoveries to understand and resolve present and future challenges to humanity and the environment." To fulfill its mission, the University must effectively protect its interests as it fosters research and commercialization of research. Effective protection of interests arising out of research should contribute to the success of the University, its academic staff, and students.

This audit examined the effectiveness of the University's processes to protect its interests (e.g., financial, reputational, ownership) as it fosters research and commercialization of research. We focused on the University's processes to identify and participate in research initiatives. We did not audit the financial administration of research funds.

We concluded that as of March 31, 2013, while the University of Regina had many structures and processes in place intended to protect its interests (e.g., financial, reputational, ownership) as it fostered research and commercialization of research, these structures and processes could be improved. The University needs to focus on improving its processes for oversight, updating policies and procedures, evaluating risks and benefits of research initiatives, and monitoring compliance.

In this chapter, we describe the key findings for our audit and make 26 recommendations to the University.

Chapter 16 Public Service Commission—MIDAS HR/Payroll

The Public Service Commission (PSC) is the central human resource agency for staff employed primarily by government agencies. Effective May 25, 2012, the Public Service Commission (PSC) is under the responsibility of the Ministry of Central Services.

PSC is responsible for administering the human resources and payroll system – MIDAS HR/Payroll primarily for government ministries. We conduct an annual audit to determine if PSC has effective central controls to manage and secure MIDAS HR/Payroll.

In 2012, PSC had effective central controls with two exceptions. PSC has not signed client service agreements with all of its clients and therefore has not formally agreed upon respective responsibilities for key payroll activities. Also, staff did not always document their review of payroll reports or perform these reviews in a timely manner. This increases the risk of incorrect payroll amounts.

Chapter 17 Regulating Drinking Water

Municipalities, Saskatchewan Water Corporation, and others (e.g., Hutterite colonies, parks) own and operate public waterworks that provide drinking water to the majority of people in Saskatchewan. Public waterworks owners are ultimately responsible for providing safe drinking water to their consumers. The Water Security Agency (Agency) is responsible for regulating public waterworks owners.

The Agency regulates public waterworks by issuing permits, monitoring water test results, inspecting waterworks, and enforcing permits.

Our audit for the period of October 1, 2012 to March 31, 2013 found the Agency had effective processes to regulate public waterworks; however, improvements are needed to strengthen the Agency's processes to reduce the risk of a public waterworks providing unsafe drinking water. The Agency needs to:

- Perform timely inspections of all public waterworks
- Identify non-compliance in water tests in a timely manner
- Establish policies that result in consistent action when waterworks owners do not comply with permits
- Develop an enforcement policy for those waterworks owners that are failing to upgrade waterworks for new residential developments as promised
- Coordinate efforts with the Ministry of Government Relations to ensure feasible plans for water infrastructure upgrades are in place before approving new residential developments
- Align its regulations and permits with the national drinking water guidelines

Waterworks owners hire operators to run public waterworks. The first line of defence in providing safe drinking water is having a certified and skilled operator that runs the public waterworks and frequently tests the water to ensure it is safe. During our audit period, we found 18 public waterworks that did not have a certified operator. Some operators are working towards getting certified and six waterworks are planning to move to hygienic use where the permit will not require a certified operator. Waterworks without a certified operator are still required to test the water and are being inspected by the Agency.

The Agency issues permits to waterworks owners outlining expectations for keeping water safe. The second line of defence is that the Agency has the responsibility to regulate waterworks by receiving and monitoring the results of water testing and performing inspections to ensure permit expectations are being met. Where drinking water quality problems exist, the Agency issues drinking water advisories to notify the public of drinking water that is not safe. The Agency provides water quality information to the public through the SaskH20 website (www.saskh20.ca).

Chapter 18 Rehabilitation of Young Offenders

The Ministry of Justice (Ministry) is responsible for delivering programs and services to rehabilitate young offenders.

We planned to conduct an audit in 2013 of the processes that the Ministry uses to rehabilitate young offenders. This audit was selected because of the importance of the Ministry's work to help prevent youth from repeating criminal activities and continuing into an adult life of crime. Saskatchewan has the highest youth crime rate in Canada, which is 3.1 times the national average.[2] Research has shown that some youth will continue to commit offences well into their adult lives. If young offenders do not receive the right rehabilitation services at the right time, they are more likely to continue to offend into their adult lives and become burdens on society. The Ministry spent $52 million on Young Offender Correctional Services in 2011-12[3] to work with about 4,400 youth admitted into community sentences, and 500 youth admitted into custody.[4]

This audit about rehabilitation of young offenders was the final audit planned to complete our work on the Ministry's rehabilitation processes. We previously completed audits about rehabilitation of adult offenders in provincial correctional institutions and the community in 2008 and 2011, respectively.

We were unable to conduct our audit because we were denied access by Cabinet to the young offender case management files. The federal law that restricts access to young offender files specifically refers to the granting of access through either an order of the Youth Court or an Order in Council from Cabinet. The Ministry of Justice worked collaboratively with us and submitted a request to Cabinet to provide us with access to young offenders' case management files. However, Cabinet denied us access while at the same time providing access to others (e.g. employees of the Ministry conducting research and evaluation) through Order in Council. Our Office determined it would not be a good use of public resources to incur the cost of seeking a court order when Cabinet has the ability to grant us access at no additional cost.

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[2] Ministry of Justice, Fact Sheet, *Police-Reported Crime Statistics in Canada*, July 2012, p. 3.
[3] Ministry of Corrections, Public Safety & Policing, *2011-12 Annual Report*, p. 28.
[4] Saskatchewan Young Offender Case Administration and Management System.

Chapter 19 Securing SaskEnergy's SCADA System

The people and economy of Saskatchewan require safe, uninterrupted, and effective distribution of natural gas. Natural gas is used to heat buildings, power appliances, and is used by many Saskatchewan industries.

SaskEnergy delivers natural gas to 358,000 customers throughout Saskatchewan. Natural gas is transported to customers using a pipeline distribution system that covers 92% of Saskatchewan communities. SaskEnergy relies on both physical and information technology assets to distribute natural gas. Physical assets include compressor stations and pipelines. Information technology assets like supervisory control and data acquisition (SCADA) systems are used to monitor and control the physical transportation of natural gas through pipelines.

This chapter describes our audit of SaskEnergy's SCADA system. The objective of our work was to assess whether SaskEnergy had effective processes to secure its SCADA system. For the period of September 1, 2012 to February 28, 2013, our audit found that SaskEnergy did not have effective processes to secure its SCADA system. SaskEnergy needs to improve its processes in the following areas:

- Prepare a complete threat and risk assessment for its SCADA system
- Implement complete policies and procedures to protect the confidentiality, integrity, and availability of its SCADA system
- Properly configure its SCADA system to protect against security threats
- Protect its facilities from unauthorized access
- Protect its SCADA system from unauthorized access
- Monitor SCADA system security
- Test its SCADA system continuity plan

We make seven recommendations in this chapter to help SaskEnergy protect the confidentiality, integrity, and availability of its SCADA system, and associated data.

Although we have made process recommendations, we recognize that SaskEnergy has been able to provide safe and reliable operations for many years and has not experienced a major outage resulting from its SCADA system.

Chapter 20 Use of Surgical Facilities at Regina Qu'Appelle Regional Health Authority

Regina Qu'Appelle Regional Health Authority (Regina Qu'Appelle) is responsible for the planning, organization, delivery, and evaluation of health services within its health region. As part of its mandate, Regina Qu'Appelle provides surgical procedures to residents of Regina Qu'Appelle and residents of other southern health regions.

The effective and efficient use of surgical facilities is vital for providing timely surgical services to patients and to help reduce wait times. Utilization of surgical facilities depends on the availability of surgeons, healthcare staff, anaesthesiologists, specialized surgical equipment, and inpatient beds.

Determining the capacity available (e.g., optimal hours of the use of existing facilities), planning for the efficient use of that capacity within available resources (e.g., the suitability of the facility for specific surgical procedures, equipment, and staffing availability), and appropriate scheduling (e.g., balancing patient needs with length of wait times), are crucial to effectively utilize resources and address longer-than-targeted wait times. Regina Qu'Appelle could not tell us how much of its current capacity is used to provide surgical services.

Monitoring and analyzing the actual usage compared to the planned usage of surgical facilities can help Regina Qu'Appelle identify and address reasons that may inhibit the efficient use of existing surgical facilities and identify where and when more resources are needed. Regina Qu'Appelle does not consistently and routinely collect this information.

This audit examined the effectiveness of Regina Qu'Appelle's processes for the efficient use of its surgical facilities from March 1, 2012 to February 28, 2013. Regina Qu'Appelle did not have effective processes to support the efficient use of its surgical facilities; therefore, its ability to provide surgical care in a timely manner could be compromised. This may result in a loss of public confidence in the healthcare system and the uneconomical use of public money.

Regina Qu'Appelle needs to:

- Have complete, approved standards, policies, and guidance to improve consistency of the scheduling surgical procedures and the use of surgical facilities
- Develop consistent processes for the composition, review, and approval of surgery schedules to improve the efficient scheduling of surgical procedures
- Collect and analyze information on the use of surgical facilities to determine factors that inhibit and impact the efficient use of surgical facilities
- Determine needed actions and implement those actions to improve the efficient use of surgical facilities
- Monitor progress for efficient scheduling of surgical procedures and report to the Board
- Establish and use performance measures and targets designed specifically for assessing the efficient use of surgical facilities

In this chapter, we make nine recommendations to Regina Qu'Appelle. On May 7, 2013, management indicated that Regina Qu'Appelle has begun to address these recommendations.

We encourage other regional health authorities to look to the audit criteria and recommendations described in this chapter to assess their own processes for providing surgical services in their regions.

AUDIT FOLLOW UPS

Chapter 21 Environment—Regulating Air Emissions

In 2004, we made seven recommendations to strengthen the Ministry of Environment's processes to regulate air emissions. In 2012, we completed our fourth follow-up of these recommendations. We found that the Ministry has met five of our recommendations and has made progress on the remaining two recommendations. During our follow-up, we also found that since February 2011, the Ministry has not followed the existing law regarding the issuance of permits under *The Clean Air Act*. As a result, we have made one new recommendation. We recommend that the Ministry comply with existing legislation until such time as the legislation is amended.

Chapter 22 Finance—Oversight of Information Technology

This is the second follow-up of recommendations from our *2009 Report – Volume 3*, Chapter 7, regarding the Ministry of Finance's (Finance) processes for oversight of information technology (IT) where we made two recommendations. At March 14, 2013, Finance has partially implemented these two outstanding recommendations. Finance has not completed its work to develop an IT risk management plan based on an analysis of IT risks and has not yet implemented an IT strategic plan.

Chapter 23 Finance—Provincial Sales Tax Audit Selection

This chapter is a follow-up of recommendations from our *2007 Report – Volume 3*, Chapter 9, regarding the Ministry of Finance's processes to select businesses for audit to promote compliance with provincial sales tax laws. At March 26, 2013, the Ministry of Finance has implemented all of our previous recommendations.

Chapter 24 Health—Prairie North Regional Health Authority—Granting Hospital Privileges

In 2011, we assessed Prairie North Regional Health Authority's (Prairie North) processes to grant privileges to physicians. We concluded that Prairie North did not have adequate processes to grant privileges to physicians and made seven recommendations to help Prairie North strengthen its processes.

Prairie North has implemented three of the seven recommendations that we made in 2011. Prairie North still needs to align its processes with the Practitioner Staff Bylaws, clarify the responsibilities of its medical advisory committees, continue developing requirements for physicians doing special procedures, and monitor physicians' use of medical privileges.

Chapter 25 Health—Saskatoon Regional Health Authority—Maintaining Medical Equipment

Saskatoon Regional Health Authority (Saskatoon RHA) has not yet implemented the recommendation we made in 2011 relating to maintenance of its medical equipment. In our *2011 Report – Volume 1*, we reported that Saskatoon RHA needed to establish written policies and procedures for maintaining its medical equipment. It still has not done this.

Chapter 26 Health—Sunrise Regional Health Authority—Scheduling Nursing Staff

Sunrise Regional Health Authority (Sunrise) has implemented the three recommendations that we made in 2010 relating to scheduling nursing staff. In our *2010 Report – Volume 1*, we reported that Sunrise needed to follow its established policies for the approval of payroll, identify and report on the causes of overtime, implement strategies for reducing overtime usage, and report progress to the Board.

Chapter 27 Justice—Absenteeism

We followed up the Ministry of Justice's actions on eight recommendations we made in 2010.

Effective May 25, 2012, the responsibilities of corrections and policing in Saskatchewan became a part of the Ministry of Justice (Ministry). In 2010, we made eight recommendations to improve the Ministry's processes to manage absenteeism and associated labour costs at provincial adult correctional centres. Since 2010, the Ministry has done significant work to manage absenteeism resulting in reduced overtime costs and sick days. The Ministry has addressed six of the eight recommendations we made. The Ministry still needs to appropriately manage and pay corrections workers who trade shifts.

Chapter 28 Justice—Community Rehabilitation of Adult Offenders

We followed up the Ministry of Justice's (Ministry) actions on the seven recommendations we made in 2011 about rehabilitating adult offenders serving a community sentence. We had audited the delivery of the Ministry's processes in the Regina Qu'Appelle Region (Region) to rehabilitate adult offenders likely to repeat crimes, including serious violent crimes.

Following the audit, the Ministry worked with a consultant to help it determine how to meet our recommendations. The Ministry also reviewed processes in two of its other regions to help it assess the impact changes to its processes would have across the province.

We found the Ministry has made progress, but still has more work to do on all seven recommendations. The Ministry continues to work on consistently following its case management policies, including completion of timely risk assessments and integrated case plans,[5] having sufficient contact with offenders, and preparing regular progress reports for offenders. The Ministry needs to do more work to select and evaluate rehabilitation services provided by other agencies, monitor access to priority community rehabilitation programs, and evaluate the effectiveness of its rehabilitation programs.

Chapter 29 Saskatchewan Telecommunications— Wireless Network Security

We audited Saskatchewan Telecommunication's (SaskTel) wireless network security controls in 2009 and made seven recommendations. We reported our first follow-up of this audit in 2011. This chapter reports our second follow-up, which is of management's actions on our recommendations to March 31, 2013. We found that SaskTel has implemented six of our seven recommendations relating to wireless training, setting roles and responsibilities, configuring equipment, assessing risks, maintaining an inventory of devices, and logging activity. It still needs to perform regular wireless security scans and address related issues.

STUDY

Chapter 30 Regional Health Authorities—Board Governance Survey

We surveyed board members and selected executives of regional health authorities (RHAs) to gain an understanding of the state of board governance in health regions, to identify issues as perceived by board members and senior management, and to identify opportunities to improve governance practices. This chapter presents selected results from the survey. The full report is available at www.auditor.sk.ca.

The survey gathered board member and executive views in the areas of:

- Board Purpose
- Board Membership
- Board Culture
- Education, Training, and Evaluations
- External Relationships
- Accountability
- Board Structure
- Information for Decision Making
- Internal Relationships

The survey results provide interesting and important insights into a range of governance areas. The results show that the views of board members and executives are sometimes surprisingly far apart. The results also indicate that views of board members and executives can differ depending on whether the RHA is urban, urban/rural, or northern (these differences are explored in the full report).

We encourage RHA board members to consider the survey results and discuss the results within their own board and with their executives. We also encourage RHAs to use the survey results as a resource for constructive dialogue with the Ministry of Health. The Ministry and RHAs could also consider how the survey results could be used to enhance governance training. We hope this chapter and the full report will offer insight into promoting effective governance in the health sector.

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[5] A documented strategy for managing the offender throughout the court ordered disposition(s). Source: Ministry's Integrated Case Management Policy.

STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Chapter 31

Standing Committee on Crown and Central Agencies

Through its work and recommendations, the Standing Committee on Crown and Central Agencies (Committee) helps the Legislative Assembly hold the Government accountable for its management of the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiaries. The Committee does this through its review of the annual reports of agencies within its subject area. However, at May 3, 2013, the Committee's complete review of these annual reports for the years 2008, 2009, 2010, and 2011 remain outstanding.

The Committee asks our Office to assess and report on the status of the recommendations it makes as a result of our audit work. The Government has implemented almost all of the Committee's recommendations arising from the work of our Office for reports that were addressed by the Committee. At March 31, 2013, the Committee had four recommendations outstanding.

The Committee did not meet to consider any of our reports during 2012-13. There are many chapters from our various reports concerning CIC and its subsidiaries that remain outstanding and have not been reviewed by the Committee. Chapters that remain outstanding date back to 2007.

Annual Integrated Audits

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Chapter 1
Municipal Employees' Pension Plan

1.0 MAIN POINTS

This chapter contains the results of our 2012 audit of the Municipal Employees' Pension Plan (Plan). The Plan's 2012 financial statements are reliable, it complied with its governing authorities, and it had effective controls to safeguard public resources except that additional financial reporting controls are required to ensure that the Plan's financial statements disclose sufficient and appropriate information relating to its investments.

2.0 INTRODUCTION

The Plan is registered under the *Income Tax Act* (Canada) and is governed by *The Municipal Employees' Pension Act* and related regulations, as well as *The Pension Benefits Act, 1992* and related regulations. The Plan is a multi-employer "defined benefit" plan. In 2012, 733 employers participated in the Plan of which the majority are towns and villages, and rural municipalities.

In 2012, the Plan had more than 18,000 active members and 4,500 pensioners. Active members contribute a fixed percentage of their salary and employers match these contributions. Pensioners receive formula-based pension, disability, death, and termination benefits.

The Municipal Employees' Pension Commission (Commission) is responsible for administering the Plan including holding in trust and investing the money of the Plan. An adequate level of contributions and positive investment returns are necessary to secure the Plan's ability to pay benefits.

The Commission has engaged the Public Employee Benefits Agency (PEBA) as the plan administrator. On the Commission's behalf, PEBA manages the Plan's contributions, pensions, and plan assets.

At December 31, 2012, the Plan held \$1.6 billion in total assets (2011 - \$1.4 billion) and had liabilities of \$1.4 billion (2011 - \$1.6 billion). For the year ended December 31, 2012, the Plan had total revenues of \$287.7 million (2011 - \$77.6 million), and total expenses of \$102.1 million (2011 - \$82.1 million).

3.0 AUDIT CONCLUSIONS AND SCOPE

Our Office worked with Deloitte LLP, the appointed auditor, to carry out the audit of the Plan. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[1]

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[1] See our website at www.auditor.sk.ca.

In our opinion, for the year ended December 31, 2012:

- **The Commission had effective rules and procedures to safeguard the Plan's public resources except for the matter reported in this chapter**
- **The Commission complied with the following authorities governing the Plan's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Municipal Employees' Pension Act
  The Municipal Employees' Pension Regulations
  The Pension Benefits Act, 1992
  The Pension Benefits Regulations, 1993
  Pension Benefits Standards Regulation 1985 (Canada)
  Income Tax Act (Canada) [Sections: 147.1 - 147.3]
  Income Tax Act Regulations (Canada) [Sections: 8501 - 8505, 8512, 8514, 8520]
  The Tabling of Documents Act, 1991

- **The Plan had reliable financial statements**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of the Plan's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the effectiveness of the Plan's financial-related controls used to administer the revenues, expenses, assets, and liabilities noted in **Section 2.0**. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

4.0 KEY FINDING AND RECOMMENDATION

In this section, we set out a key finding and the resulting recommendation.

4.1 Additional Financial Reporting Controls Required

The Commission needs additional financial reporting controls to ensure those responsible for the preparation of the Plan's financial statements obtain sufficient information to enable appropriate disclosure of risks relating to investments in the Plan's financial statements.

Many different types of investments exist. Each has a different level of risk and expected return. Consistent with the Statement of Investment Policies and Procedures approved by the Municipal Employees' Pension Commission, the Plan uses strategies and invests in investments (such as derivatives and repurchase agreements) to manage risks and investment returns.[2,3]

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[2] Derivatives are contracts whose value is derived from the performance of underlying market factors, such as market securities or indices, interest rates, currency exchange rates, or commodity, credit, or equity prices.

[3] A repurchase agreement is a contract entered into between two counterparties for the sale of securities together with an agreement for the seller to buy back the securities at a later date.

Accounting standards require entities to provide certain disclosures in their financial statements that enable users of the statements to evaluate:

- The significance of such investments
- The nature and extent of risks arising from these investments and how the entity manages those risks

The audit identified that the Plan's financial statements presented for audit did not fully disclose related investment risks. For example, management did not disclose in the draft financial statements the effect changes in the value of repurchase agreements have on bonds pledged as collateral in 2012 (sensitivity analysis).

Management corrected the financial statements prior to their finalization and submission for approval by the Commission.

The Plan needs additional financial reporting controls, such as use of checklists and discussions with PEBA's investment staff, to confirm understanding of the financial reporting implications of its investments. This would help the Plan's management ensure that the financial statements presented for audit appropriately disclose all significant risks related to investments.

1. **We recommend that the Municipal Employees' Pension Commission direct the Plan's administrator to establish additional financial reporting controls to ensure those responsible for the preparation of the Plan's financial statements obtain sufficient information to appropriately disclose risks relating to investments in the Plan's financial statements.**

Chapter 2
Regina Qu'Appelle Regional Health Authority

1.0 MAIN POINTS

In January 2013, at the request of the Ministry of Health, we examined the processes Regina Qu'Appelle Regional Health Authority (Regina Qu'Appelle) used for the preparation of its 2013 budget and for its 2012-13 financial reporting. The results of our work are included in this chapter.

During 2012, the Board of Directors (Board) of Regina Qu'Appelle received and reviewed incomplete, incorrect, and untimely monthly projected year-end results. This same information was also provided to the Ministry of Health. Regina Qu'Appelle needs to improve its processes for budgeting, financial reporting, and financial oversight.

In November 2012, the Board raised concerns about Regina Qu'Appelle's large deficit. In January 2013, the Board received financial reports which included the correct projected financial forecast that showed that the deficit for the year could total about $24 million. Because management provided the correct projected financial information to the Board so late in the year, the Board could not take timely corrective actions to potentially recover the deficit.

We make six recommendations for Regina Qu'Appelle to help improve its processes.

2.0 INTRODUCTION

On August 1, 2002, *The Regional Health Services Act* (the Act) created the Regina Qu'Appelle Regional Health Authority (Regina Qu'Appelle). The Act makes Regina Qu'Appelle responsible for the planning, organization, delivery, and evaluation of health services in its health region or any other area that may be directed by the Minister of Health.

For the year ended March 31, 2012, Regina Qu'Appelle had operating fund revenues totalling $930.2 million and expenses totalling $929.2 million. It also had capital fund revenues totalling $13.3 million and expenses totalling $31.6 million. At March 31, 2012, it held assets totalling $430.6 million.

In January 2013, at the request of the Ministry of Health, we examined the processes Regina Qu'Appelle used for 2013 budget preparation and financial reporting. The results of our work are included in this chapter.

In November 2012, a new CEO took charge and began, along with the Board of Directors (Board), to make operational changes at Regina Qu'Appelle including changes to address the issues identified in this chapter.

Regina Qu'Appelle prepares a budget on an annual basis. It prepares a preliminary budget based on the prior year's funding adjusted for known changes (e.g., changes to service volume, programs/services, needed capital equipment, collective bargaining agreements). Management reviews and discusses budget proposals with the Ministry of

Health (Ministry). The Ministry may recommend further changes to the proposed budget (e.g., defer some expenses or seek operational cost savings). The Board approves the final budget for submission to the Ministry.

Regina Qu'Appelle's policies require management to prepare monthly financial reports. The financial reports include year-to-date actual results, explanations for variances between actual and budget, and financial forecasts to year-end.

3.0 BUDGET PROCESSES NEEDS IMPROVEMENT

Management presented its final budget to the Board on May 28, 2012. The budget set out Regina Qu'Appelle's strategic priorities and described "breakthrough initiatives". The breakthrough initiatives identified projects designed to help Regina Qu'Appelle achieve its goals within its budget constraints and quantified $12.3 million of operating efficiencies based upon these initiatives. The budget presentation also identified key risks to achieving its planned results.

The Board approved the 2012-13 Regina Qu'Appelle budget on May 28, 2012. The approved budget showed that Regina Qu'Appelle would have a $2.0 million surplus at the year-end. However, at the time the Board approved the budget, Regina Qu'Appelle had already started to fall behind on the financial targets outlined in this budget. Financial reports for April 2012 and May 2012 showed accumulated operating deficits of $5.1 million and $7.0 million respectively. The Board had not yet received these reports.

In June 2012, Regina Qu'Appelle's forecasting system projected a year-end deficit of $9.3 million. The breakthrough initiatives and operating efficiencies that management had identified were not achieving the desired results and the actual operating deficits continued to grow (see **Figure 1**). As we state later, the projected operating deficit increased to $24 million in December 2012.

The large size of the deficit raises questions as to whether the cost savings initiatives and operating efficiencies set out in the budget were achievable. It is not possible to know how much of the deficit could have been avoided if the Board and management had taken more action on a timely basis. It also is not clear whether the initiatives set out in the original approved budget will be achieved in a future period.

1. **We recommend that the Board of Directors of the Regina Qu'Appelle Regional Health Authority review and approve future budgets on a timely basis.**

4.0 FINANCIAL REPORTING PROCESSES NEED IMPROVEMENT

Regina Qu'Appelle prepared monthly financial reports during the year. The financial reports included actual financial results, explanations for variances between actual results and budgets, and projections to year-end.

In June 2012, Regina Qu'Appelle's forecasting system projected a $9.3 million deficit at the year-end. In July 2012, management reviewed the forecast. Based on management's commitment to achieve the approved budget, management directed accounting staff to modify the year-end forecast to show a surplus of $2 million at the year-end. Management communicated to all branches about the need to balance the budget but did not prepare a plan setting out strategies to achieve cost savings to contain the growing deficit. Nor did it communicate to the Board any information about the projected year-end operating deficit or how it planned to address the growing deficit.

Historically, Regina Qu'Appelle had projected year-end results accurately and did not need to manually adjust system projected year-end results. While adjusting the forecast may be appropriate in certain circumstances (e.g., program closure), management's modified monthly forecasts (see **Figure 1**) were not supported by actual year-to-date financial results or a plan to reduce the monthly deficits.

The financial reports that management provided to the Board had incomplete information about the projected year-end results (see **Figure 1**) and incomplete explanations about differences between the actual and budgeted operating results. This same information was also provided to the Ministry of Health.

2. **We recommend that Regina Qu'Appelle Regional Health Authority provide the Board of Directors reliable monthly financial reports that include reasonable and supportable projections of year-end results.**

Actual financial results provided to the Board were accurate. However, we found that variance explanations provided to the Board were not reasonable or supported. For example, explanations for differences between actual and budget salary expenses did not fully explain the reasons for the overages.

3. **We recommend that Regina Qu'Appelle Regional Health Authority include in its monthly financial reports to the Board of Directors complete reasons for differences between the year to date budgeted and actual expenses.**

As we noted earlier, management did not inform the Board on a timely basis about the projected year-end deficit or how it planned to contain the growing deficit. As the year progressed, actual spending in excess of approved budget continued to increase. In the fall of 2012, management set up a committee to look into how best to manage the deficit. In December 2012, management established a strategy to reduce expenditures. While the strategy may help to reduce future expenditures, the plan was not timely to address the current years' projected operating deficit.

Management needs to prepare timely plans setting out the corrective actions needed and assigning the responsibility for monitoring and achieving established financial targets. Management should also carefully monitor whether its plans are achieving the intended results.

4. We recommend that Regina Qu'Appelle Regional Health Authority develop action plans to address projected operating deficits and provide a formal plan to the Board of Directors for approval.

Figure 1 provides a summary of financial information provided to the Board. The table is based on a review of Regina Qu'Appelle's monthly actual results and an examination of its forecast projections.

Figure 1—Summary Financial Information

	Actual Year-to-date Surplus/(Deficit) Unaudited	Projected Year-end Surplus/(Deficit) From Forecast System	Manual Adjustments Made by Senior Management	Projected Year-end Surplus/(Deficit) Reported to Board
		(in millions)		
April 2012	($5.1)	No year-end projection	No year-end projection	No year-end projection
May 2012	($7.0)	No year-end projection	No year-end projection	No year-end projection
June 2012	($7.7)	($9.3)	$11.3	$2.0
July 2012	($7.9)	($6.0)	$8.0	$2.0
August 2012	($6.4)	($7.5)	$9.5	$2.0
September 2012	($9.5)	($11.4)	$6.6	($4.8)
October 2012	($13.0)	($20.9)	$12.4	($8.5)
November 2012	($17.0)	($24.5)	None	($24.5)
December 2012	($16.6)	($24.0)	None	($24.0)
January 2013	($19.4)	($25.5)	None	($25.5)
February 2013	($19.3)	($23.7)	None	($23.7)
March 2013	($19.7)	Not applicable	Not applicable	Not applicable

Source: Regina Qu'Appelle Regional Health Authority financial information

5.0 BOARD MONITORING NEEDS IMPROVEMENT

A board has a responsibility to oversee the conduct of their organization, monitor financial results, and ensure that all major issues affecting their organization are given proper consideration. Board members must collectively have adequate expertise to assume an active role in managing exceptional circumstances (e.g., serious financial difficulties). Lack of a thorough and timely review of financial reports by the Board increases the risk that management may not perform as expected and any corrective action may not be timely. Delayed corrective actions may not achieve the expected results.

The Board did not ask and management did not provide the Board any explanation for clearly inconsistent projected year-end results when compared to actual operating results between June and October 2012.

The Board did not receive all of the monthly financial reports on a timely basis. The Board received and reviewed the financial reports on the dates indicated below.

Financial reports for April	June 14, 2012
Financial reports for May, June, and July	September 18, 2012
Financial reports for August and September	November 15, 2012
Financial reports for October	December 17, 2012
Financial reports for November	January 17, 2013
Financial reports for December	February 29, 2013
Financial reports for January and February	March 26, 2013

The Board of Regina Qu'Appelle should have requested and received detailed reasons for inconsistencies between the actual operating results, planned operating results, and the projected year-end results. In November 2012, the Board raised concerns about the large deficit. In January 2013, the Board received reports showing Regina Qu'Appelle's actual deficit at the end of November 2012 was $17 million and it was projecting a year-end deficit of $24.5 million. Although the Board began to address the projected year-end deficit, it was not possible to recover the deficit prior to the year-end.

5. **We recommend that the Board of Directors of Regina Qu'Appelle Regional Health Authority perform regular, timely, and thorough reviews of financial reports.**

6. **We recommend that Regina Qu'Appelle Regional Health Authority request the Ministry of Health to appoint individuals to the Board of Directors with financial expertise necessary to assess financial reports.**

Chapter 3
Saskatchewan Housing Corporation

1.0 MAIN POINTS

The Saskatchewan Housing Corporation (SHC) provides housing and housing services for people who cannot otherwise afford adequate, safe, and secure shelter. SHC's financial statements for the year ended December 31, 2012 are reliable and it complied with authorities governing its activities related to financial reporting, safeguarding resources, revenue raising, spending, and investing.

In 2012, SHC had effective rules and procedures to safeguard public resources except that it did not ensure that its information technology (IT) service provider had tested its disaster recovery procedures. Testing disaster recovery procedures is necessary to ensure that delivery of critical services can continue in the event of a disaster.

This chapter also contains the status of one previous recommendation agreed to by the Standing Committee on Public Accounts.

2.0 INTRODUCTION

The Ministry of Social Services (Ministry) is responsible for SHC. The mandate of the Ministry is to support citizens at risk as they work to build better lives for themselves through economic independence, strong families, and strong community organizations.[1] SHC provides housing and housing services for people who cannot otherwise afford adequate, safe, and secure shelter.

In 2012, SHC had total revenues of $210.8 million and total expenses of $210.8 million. At December 31, 2012, SHC had total assets of $321.5 million. SHC's annual reports can be found at www.socialservices.gov.sk.ca/housing.

3.0 AUDIT CONCLUSIONS AND FINDINGS

Our Office worked with KPMG LLP, the appointed auditor, to form our opinions. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[2]

In our opinion, for the year ended December 31, 2012:

- **SHC had effective rules and procedures to safeguard public resources except for the matter described in this chapter**
- **SHC complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

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[1] Ministry of Social Services *2011-12 Annual Report*, p. 6.
[2] See our website at www.auditor.sk.ca.

The Saskatchewan Housing Corporation Act
The Financial Administration Act, 1993
Orders in Council issued pursuant to the above legislation

- **SHC had reliable financial statements**

3.1 Agreement for Disaster Recovery Needs Improvement

We recommended that the Saskatchewan Housing Corporation sign an agreement with the Information Technology Office that includes testing of disaster recovery procedures. (2011 Report – Volume 1; Public Accounts Committee agreement August 28, 2012)

Status – Not Implemented

At December 31, 2012, SHC's agreement with its information technology service provider (Information Technology Office) did not adequately address testing of disaster recovery procedures. As a result, SHC does not know whether systems and data can be restored on a timely basis in the event of a disaster.

4.0 EXHIBITS

4.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

This exhibit provides an update on recommendations agreed to by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.

PAC Report Year	Outstanding Recommendation	Status
Saskatchewan Housing Corporation – Long-term capital plan (2004 Report – Volume 1)		
2005	15-1 that the Saskatchewan Housing Corporation's capital plan should show: - The specific measures the Corporation would use to determine the appropriate size, mix, and condition of the housing portfolio (i.e., performance measures) - The starting point of each measure (i.e., baseline) - What the Corporation expects to achieve with the housing portfolio and by when (i.e., targets)	**Partially Implemented** (as of March 31, 2012) We plan to do a follow-up in 2014.

Chapter 4
Saskatchewan Water Corporation

1.0 MAIN POINTS

The Saskatchewan Water Corporation (SaskWater) complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, SaskWater's financial statements are reliable.

SaskWater had effective rules and procedures to safeguard public resources except it needs to implement and test a business continuity plan.

This chapter also contains the status of two previous recommendations agreed to by the Standing Committee on Crown and Central Agencies.

2.0 INTRODUCTION

SaskWater operates under *The Saskatchewan Water Corporation Act* (Act). SaskWater's mandate is to construct, acquire, manage, or operate waterworks and provide services in accordance with the agreements it makes under the Act.

SaskWater's head office is located in Moose Jaw, Saskatchewan. It has approximately 113 employees in 15 operating locations. To deliver its services, SaskWater designs, builds, owns and operates transmission, regional, and stand-alone water supply and wastewater systems. SaskWater also provides certified operation and maintenance services to customer-owned systems and provides operator training to 41 Saskatchewan First Nations communities.

As of December 31, 2012, SaskWater provided services to 63 communities, 7 rural municipalities, 81 rural pipeline groups, 15 industrial companies, and approximately 236 commercial and end user customers. It owns eight water treatment plants, three wastewater facilities, 39 pump stations, and approximately 862 km of pipeline.[1]

2.1 Financial Overview

At December 31, 2012, SaskWater held assets of $186.5 million (2011 - $179.3 million). For the year ended December 31, 2012, SaskWater had operating revenue of $41.8 million (2011 - $34.2 million) and had net income of $3.2 million (2011 - $3.5 million). Each year, SaskWater provides its annual report including its audited financial statements to the Legislative Assembly. The annual report can be found on its website. [2]

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[1] www.saskwater.com (10 April 2013).

[2] Ibid.

3.0 AUDIT CONCLUSIONS AND SCOPE

Our Office worked with Deloitte LLP, the appointed auditor, to carry out the audit of SaskWater. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[3]

In our opinion, for the year ended December 31, 2012:

- **SaskWater had effective rules and procedures to safeguard public resources except for the matter described in this chapter**
- **SaskWater complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Saskatchewan Water Corporations Act
  The Crown Corporations Act, 1993
  The Crown Corporations Regulations, 1993
  The Financial Administration Act, 1993
  The Crown Employment Contracts Act
  Orders in Council issued pursuant to the above legislation

- **SaskWater's financial statements are reliable**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of SaskWater's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

This chapter provides the status of the recommendation we made in our *2012 Report – Volume 1*. In addition, it contains the status of two previous recommendations agreed to by the Standing Committee on Crown and Central Agencies.

4.0 KEY FINDING AND RECOMMENDATION

4.1 Business Continuity Plan Needed

We recommended that SaskWater implement and test a business continuity plan. (2012 Report – Volume 1)

Status – Partially Implemented

SaskWater has initiated a project to implement this recommendation. In 2012, it completed a business impact analysis designed to identify and assess the threats and risks a disaster would have on its operations. SaskWater continues to work on developing its business continuity plan including a policy to support the plan's maintenance and testing.

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[3] See our website at www.auditor.sk.ca.

5.0 EXHIBIT

5.1 Status of Previous Recommendations of the Standing Committee on Crown and Central Agencies

This exhibit provides an update on recommendations agreed to by the Standing Committee on Crown and Central Agencies (CCAC) that are not discussed earlier in this chapter.

CCAC Report Year	Outstanding Recommendation	Status
2006	The Committee concurs: 12.1 Saskatchewan Water Corporation should compile reliable information detailing the water treatment and transmission infrastructure it owns and the condition of that infrastructure.	**Partially Implemented** (as of December 31, 2010) We plan to follow this up in 2013.
2006	The Committee concurs: 12.2 Saskatchewan Water Corporation should develop and use a maintenance plan for its water treatment and transmission infrastructure.	**Partially Implemented** (as of December 31, 2010) We plan to follow this up in 2013.

Chapter 5
School Divisions

1.0 MAIN POINTS

This chapter reports the results of the annual audits of school divisions for the year ended August 31, 2012.

The financial statements of school divisions are reliable and school divisions are complying with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Overall, school divisions have been improving their internal controls. Thirteen school divisions still have work to do to improve segregation of duties, information technology security policies, disaster recovery plans, verification of capital assets, and evaluation of the performance of management.

2.0 INTRODUCTION

The Ministry of Education (Ministry) is responsible for providing direction to school divisions for Pre-Kindergarten to Grade 12 education. School divisions provide Pre-Kindergarten to Grade 12 education to students throughout the province. The Ministry's and school divisions' responsibilities are set out primarily in *The Education Act, 1995* (Act).

The Ministry was responsible for 28 school divisions for the year ended August 31, 2012. See **Exhibit 5.1** for a list of school divisions, their appointed auditors, and a description of our participation.

For 2012, the school divisions had revenue totalling $2.0 billion (2011 - $1.9 billion) including $1.3 billion (2011 - $1.1 billion) from the General Revenue Fund and expenses totalling $1.9 billion (2011 - $1.8 billion). At August 31, 2012, the school divisions held net financial assets of $265 million (2011 - $251 million) and non-financial assets of $1.5 billion (2011- $1.4 billion).

3.0 BACKGROUND

Since 2009-10, the Government's Summary Financial Statements have included school divisions' financial results. Since the year ended August 31, 2010, we have been actively involved in auditing school divisions' financial statements, processes to safeguard public resources, and compliance with authorities. For the years ended August 31, 2010 and 2011, we offered guidance through generalized recommendations (i.e., we did not name the school divisions that the recommendations applied to) to assist all school divisions in improving their practices and accountability. For the year ended August 31, 2012, we make recommendations directed at specific school divisions. See **Exhibit 5.2** for a summary of school division generalized recommendations from 2011 with a comparison to 2012. School divisions have been improving their internal controls.

4.0 AUDIT CONCLUSIONS AND FINDINGS

We worked with appointed auditors (see **Exhibit 5.1**) using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.*[1]

In our opinion, for the year ended August 31, 2012:

- **School divisions had effective rules and procedures to safeguard public resources except for the matters reported in this chapter**

- **School divisions complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Education Act, 1995
  The Education Regulations, 1986
  The Financial Administration Act, 1993 (Section 38)
  The Pension Benefits Act, 1992 (Section 44)
  The Pension Benefits Regulations, 1993 (Section 38)
  Pension Benefit Standards Regulations, 1985 (Canada) [Sections 9(1), 11(1)]

- **The financial statements of the school divisions are reliable**

4.1 Segregation of Duties Required

Five school divisions need to segregate certain duties among their employees to safeguard public resources from misuse. Good internal controls separate the following functions: the custody of or access to assets (e.g., cash), the initiation of transactions (e.g., decision to buy), the approval of transactions (e.g., approval to buy), and the responsibility for recording and reporting the transaction (e.g., recording amounts in the accounting records). Policies and procedures are used to establish segregation of duties among employees. When employees do not follow established policies and procedures, this increases the risk of misappropriation of assets.

We found that Prince Albert Roman Catholic Separate School Division has not adequately segregated incompatible duties among its employees. During the year, there was no independent review and approval of bank reconciliations. Regular reconciliations, and the review and approval of such reconciliations provides a check that all charges to bank accounts are proper and all money has been received and deposited into the right accounts. It also provides a check on the accuracy and reliability of the accounting records.

1. **We recommend Prince Albert Roman Catholic Separate School Division No. 6 independently review and approve bank reconciliations.**

We found that two school divisions did not have adequate processes for reviewing and approving amounts entered into the accounting records (i.e., journal entries). Chinook

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[1] See our website at www.auditor.sk.ca.

School Division implemented a journal entry process during the year; however this process has not been formally documented or approved. The policy should specify the duties of preparing, posting, and reviewing journal entries. During the testing of the journal entry process, there were some instances of journal entries that were not independently reviewed and approved.

We also found that Ile-a-la Crosse School Division did not have a policy on preparing, posting and reviewing journal entries. We found some instances of journal entries that were not independently reviewed and approved. This increases the risk of unauthorized entries being made to the accounting records.

2. **We recommend that Chinook School Division No. 211 formally document and implement a policy for recording amounts (i.e., journal entries) in its accounting records including independent review and approval.**

3. **We recommend that Ile-a-la Crosse School Division No. 112 formally document and implement a policy for recording amounts (i.e., journal entries) in its accounting records including independent review and approval.**

We found that Chinook School Division has not developed and implemented a purchasing policy that appropriately segregates duties. We found some instances where invoices did not have evidence of an authorized signature approving the payment. The purchasing policy should address the initiation, authorization, and approval of purchases.

Further, we found that North East School Division and Sun West School Division did not follow their purchasing policies during the year. At these two school divisions, we found several instances where purchase orders were missing or not completed, contained incomplete information, and/or were not approved.

4. **We recommend that Chinook School Division No. 211 formally establish and implement a purchasing policy.**

5. **We recommend that North East School Division No. 200 follow its purchasing policy.**

6. **We recommend that Sun West School Division No. 207 follow its purchasing policy.**

Sun West School Division does not have a documented process to regularly review changes made to its payroll system. Changes to employee information, such as new hires and retirements, and changes to rates of pay should be independently reviewed and approved.

7. We recommend that Sun West School Division No. 207 formally establish and implement a policy for making any changes to its payroll system.

4.2 Information Technology Security Policies Need Improvement

Ten school divisions need to establish adequate information technology (IT) security policies.

We found these school divisions did not set minimum password standards, allowed inappropriate access by employees to systems and data, did not review security logs to detect and address security threats, and/or did not appropriately test and document changes to their systems.

Information technology (IT) security policies help ensure the confidentiality, integrity, and availability of information systems and data. For example, these policies identify the rules that staff need to follow. Without adequate IT security policies, school divisions' systems and data are at increased risk of unauthorized access, inappropriate changes, and information not being available when needed.

8. We recommend that Chinook School Division No. 211 establish adequate information technology security policies.

9. We recommend that Englefeld Protestant Separate School Division No. 132 establish adequate information technology security policies.

10. We recommend that Light of Christ Roman Catholic Separate School Division No. 16 establish adequate information technology security policies.

11. We recommend that Living Sky School Division No. 202 establish adequate information technology security policies.

12. We recommend that North East School Division No. 200 establish adequate information technology security policies.

13. We recommend that Prince Albert Roman Catholic Separate School Division No. 6 establish adequate information technology security policies.

14. We recommend that Saskatoon School Division No. 13 establish adequate information technology security policies.

15. We recommend that South East Cornerstone School Division No. 209 establish adequate information technology security policies.

16. We recommend that St. Paul's Roman Catholic Separate School Division No. 20 establish adequate information technology security policies.

17. We recommend that Sun West School Division No. 207 establish adequate information technology security policies.

4.3 IT Disaster Recovery Plans Needed

Seven school divisions need written, approved, and tested information technology (IT) disaster recovery plans to enable them to continue to deliver their programs and services if their IT systems become damaged. For example, IT systems need to be available for instructors and students who utilize computers, financial systems need to be available to pay contractors and staff the correct amounts of money on time, and student records need to remain accessible.

These school divisions should base their IT disaster recovery plans on risk assessments focusing on key programs, systems, and data. An IT disaster recovery plan:

- Sets out the responsibilities of those who are to implement the plan
- Includes emergency procedures to be used while the system is unavailable
- Includes steps for the recovery and restoration of the system

- Should be regularly tested and updated

18. We recommend that Chinook School Division No. 211 approve and test its information technology disaster recovery plan.

19. We recommend that Englefeld Protestant School Division No. 132 approve and test its information technology disaster recovery plan.

20. We recommend that Living Sky School Division No. 202 approve and test its information technology disaster recovery plan.

21. We recommend that North East School Division No. 200 approve and test its information technology disaster recovery plan.

22. We recommend that Northern Lights School Division No. 113 approve and test its information technology disaster recovery plan.

23. We recommend that St. Paul's Roman Catholic Separate School Division No. 20 approve and test its information technology disaster recovery plan.

24. We recommend that Sun West School Division No. 207 approve and test its information technology disaster recovery plan.

4.4 Periodic Verification of Capital Assets Needed

Saskatchewan Rivers School Division did not have processes to periodically verify the existence of its physical assets. This increases the risk that some of its physical assets, such as computers and other equipment, may be disposed without authorization and proper adjustment to the accounting records.

25. We recommend that Saskatchewan Rivers School Division No. 119 periodically verify the existence of its physical assets.

4.5 Preparation of Performance Evaluations for Management

Horizon School Division is not evaluating the performance of its management. Regular performance evaluations help monitor that employees perform their duties as expected. Performance evaluations also help identify training needs to help employees obtain the necessary competencies to do their assigned work.

26. We recommend that Horizon School Division No. 205 prepare regular performance evaluations for management.

5.0 EXHIBITS

5.1 School Divisions, Appointed Auditors, and Our Participation

Under the Act, school divisions have the authority to appoint auditors. This exhibit lists the school divisions, their appointed auditors, and our participation.

School Division	Appointed Auditor (at August 31, 2012)	Participated in Audit*
Chinook School Division No. 211	Stark & Marsh LLP	Yes
Christ the Teacher Roman Catholic Separate School Division No. 212	Parker Quine LLP	Note 1
Conseil des écoles fransaskoises No. 310	Deloitte LLP	Yes
Creighton School Division No. 111	Kendall & Pandya	Note 1
Englefeld Protestant Separate School Division No. 132	MNP LLP	Note 1
Good Spirit School Division No. 204	Skilnick Miller Moar Grodecki & Kreklewich	Yes
Holy Family Roman Catholic Separate School Division No. 140	Cogent Business Consulting	Note 1
Holy Trinity Roman Catholic Separate School Division No. 22	Robert A. Tiede	Note 1
Horizon School Division No. 205	MNP LLP	Note 1
Ile-a-la Crosse School Division No. 112	Menssa Baert Cameron Odishaw La Cock	Note 1
Light of Christ Roman Catholic Separate	Menssa Baert Cameron Odishaw La Cock	Note 1

School Division	Appointed Auditor (at August 31, 2012)	Participated in Audit*
School Division No. 16		
Living Sky School Division No. 202	Holm Clements Kwong Svenkeson Raiche	Yes
Lloydminster Roman Catholic Separate School Division No. 89	Wilkinson Livingston Stevens LLP	Note 1
Lloydminster Public School Division No. 99	Wilkinson Livingston Stevens LLP	Note 1
North East School Division No. 200	MNP LLP	Note 1
Northern Lights School Division No. 113	MNP LLP	Note 1
Northwest School Division No. 203	Pinnacle Business Solutions	Note 1
Prairie South School Division No. 210	Stark & Marsh LLP	Yes
Prairie Spirit School Division No. 206	C.S. Skrupski Certified General Accountant Professional Corporation	Yes
Prairie Valley School Division No. 208	MNP LLP	Note 1
Prince Albert Roman Catholic Separate School Division No. 6	Deloitte LLP	Note 1
Regina Roman Catholic Separate School Division No. 81	Dudley & Company LLP	Note 1
Regina School Division No. 4	MNP LLP	Yes
Saskatchewan Rivers School Division No. 119	Deloitte LLP	Note 1
Saskatoon School Division No. 13	KPMG LLP	Yes
South East Cornerstone School Division No. 209	Virtus Group LLP	Note 1
St. Paul's Roman Catholic Separate School Division No. 20	Deloitte LLP	Yes
Sun West School Division No. 207	Close Perkins & Hauta	Note 1

Source: Provincial Auditor Saskatchewan (2013)

* We were actively involved in auditing the school division's financial statements, processes to safeguard public resources, and compliance with authorities.

Note 1: We reviewed the opinions of the appointed auditor on the reliability of financial statements, effectiveness of processes to safeguard public resources, and compliance with authorities. We also reviewed the summary of errors and management letters to school boards. Where necessary, we followed up with the appointed auditor to clarify issues reported.

5.2 School Division Generalized Recommendations from 2011 with Comparison to 2012

This exhibit shows the number of school divisions to which the generalized recommendations made for the year ended August 31, 2011 applied. It also shows the number of school divisions to which those recommendations would still apply for the year ended August 31, 2012.

Recommendation	Year Ended August 31, 2011	Year Ended August 31, 2012
We recommend that school divisions periodically verify the existence of their physical assets. (2012 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)	1	1
We recommended that school division boards approve policies on when and how the school divisions prepare periodic financial reports for their boards. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012) We recommended that school division boards review (at least quarterly) financial reports (including comparison to budget) prepared in accordance with Canadian generally accepted accounting principles established by the Canadian Public Sector Accounting Board and document their review in minutes. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)	7	-
We recommended that school divisions have segregation of duties policies. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012) We recommended that school divisions assess the risks of incompatible functions and take appropriate action. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)	11	5
We recommended that school divisions establish information technology security policies. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)	19	10
We recommended that school divisions prepare and test their information technology disaster recovery plans. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)	15	7
We recommended that school divisions establish appropriate processes to collect and record all funds generated in schools. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)	2	-
We recommended that school divisions ensure that when they enter into financial arrangements with other agencies, they formalize their rights and obligations in written agreements. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)	2	-

Source: Provincial Auditor Saskatchewan (2013)

School divisions, as noted in this exhibit, have made good progress during the past year addressing our recommendations.

Chapter 6
Summary of Implemented Recommendations

1.0 MAIN POINTS

This chapter provides an update on recommendations that were implemented and are not discussed elsewhere in this report.

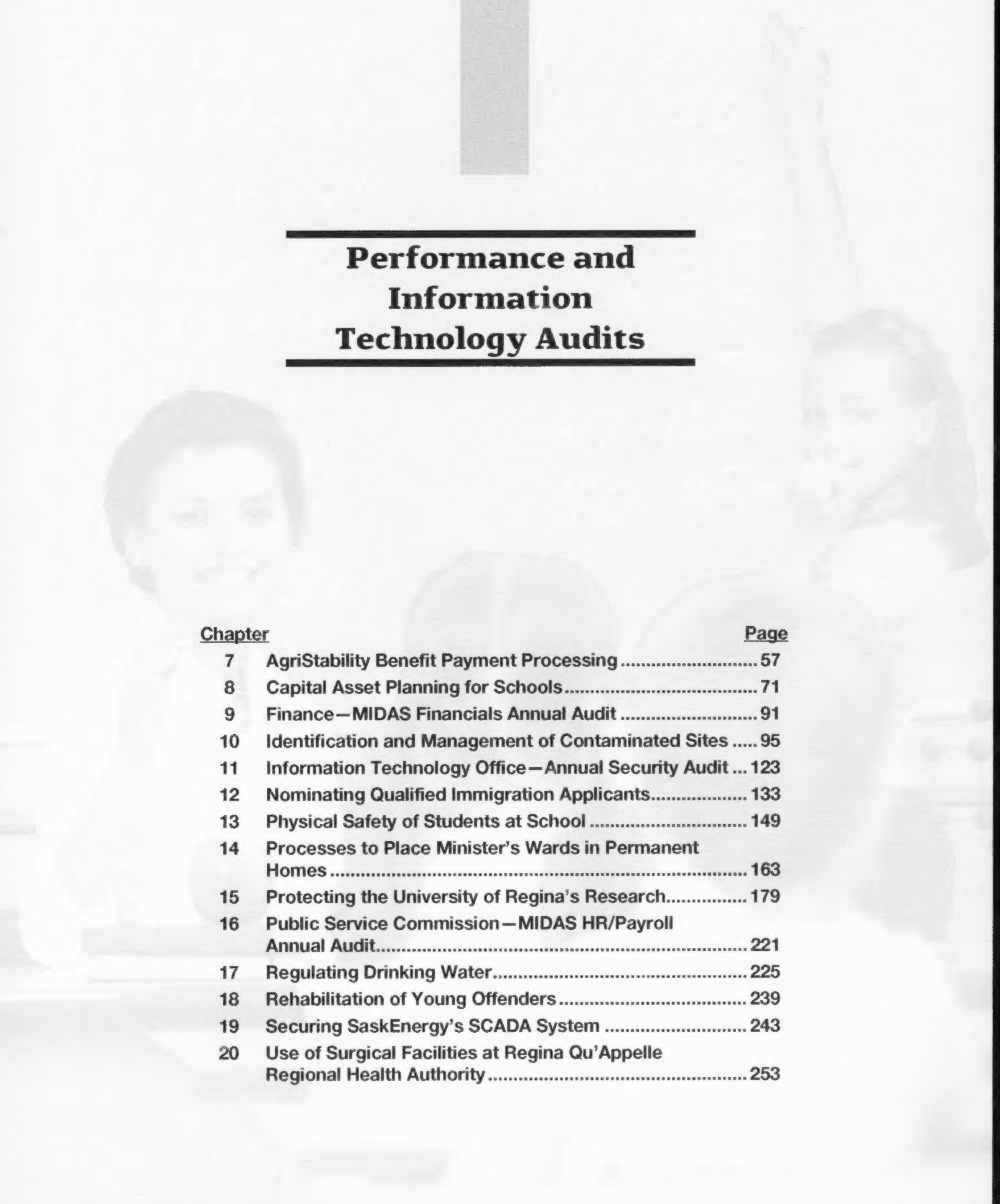
2.0 SUMMARY OF IMPLEMENTED RECOMMENDATIONS

Figure 1 sets out, by agency, implemented recommendations. It notes when or if the recommendation was agreed to by the Standing Committee on Public Accounts (PAC) and highlights key actions taken by each agency to implement its recommendation(s).

Figure 1—Implemented Recommendations

Past Recommendation (Initial PAS Report, Date of Agreement of PAC)	Key Actions Taken in 2012-13 to Implement Recommendation
Northern Municipal Trust Account	
We recommended that the Ministry of Government Relations prepare regular and accurate bank reconciliations for the Northern Municipal Trust Account, as its procedures require. (2012 Report – Volume 1; PAC agreement October 4, 2012)	In 2012, bank reconciliations were prepared as its procedures require.
We recommended that the Northern Municipal Trust Account prepare accurate and timely financial and performance reports, as and when its procedures require. (2011 Report – Volume 1; PAC agreement October 4, 2012)	In 2012, financial reports were prepared accurately and in a timely manner. Performance reports were prepared as its procedures require.
Power Corporation Superannuation Plan	
We recommend that the Power Corporation Superannuation Plan reconcile investment balances between the custodian and the investment managers' reports on a timely basis. (2012 Report – Volume 1)	Power Corporation Superannuation Plan staff now prepare reconciliations between the custodian and the investment managers' reports on a quarterly basis.
Liquor Board Superannuation Board	
We recommended that the Liquor Board Superannuation Commission establish rules and procedures to ensure all retired members who are receiving a pension and returned to work for the Government are paid in accordance with the Act. Alternatively, the Commission should continue to seek changes to the Act. (2001 Spring Report, PAC agreement November 2001)	Starting in 2012, the Public Employees Benefits Agency (PEBA) maintains a listing of individuals who work for Government and are in receipt of a pension. Using this listing, PEBA monitors the extent of work of the individuals and makes adjustments to pension payments depending on the circumstances.

Past Recommendation (Initial PAS Report, Date of Agreement of PAC)	Key Actions Taken in 2012-13 to Implement Recommendation
Extended Health Care Plan	
We recommended that the Public Employees Benefits Agency and Joint Board of Trustees of the Extended Health Care Plan: - Improve their processes to identify and document key financial decisions in the minutes of the Extended Health Care Plan - Promptly record all financial transactions of the Extended Health Care Plan (2012 Report – Volume 1)	During our 2012 audit, we found that financial transactions of the Extended Health Care Plan were recorded promptly and the Joint Board of Trustees provided oversight over financial results and key financial decisions.



Performance and Information Technology Audits

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Chapter 7
AgriStability Benefit Payment Processing

1.0 MAIN POINTS

Saskatchewan Crop Insurance Corporation (SCIC) administers the AgriStability program, a margin-based support program[1] to assist producers who experience large income losses. The AgriStability program is cost shared between the provincial and federal governments.

SCIC is responsible for having effective processes to determine AgriStability program benefits consistently and equitably. We audited SCIC's processes to determine AgriStability program benefits. SCIC has good processes to determine and pay individual producers' AgriStability benefits. We found that SCIC's processes were effective except that SCIC needs to:

- Document its procedures for reviewing the assumptions and the calculation of the benefit estimates
- Establish procedures to analyze previous estimates of AgriStability benefits and compare the estimates with actual benefits in order to refine its estimate process
- Set targets for its performance measures used to monitor the AgriStability program such as file processing times, administrative costs per file, and customer satisfaction
- Actively monitor to ensure staff do not process AgriStability files where a real or perceived conflict of interest could arise

Both SCIC and the Ministry of Agriculture (Ministry) use estimates for the AgriStability program benefits to calculate their AgriStability expense and liabilities. SCIC and the Ministry need to ensure that these recorded amounts are accurate. SCIC needs to work with the Ministry to develop processes to ensure that the AgriStability estimates are reasonable, consistent, and current.

2.0 INTRODUCTION

SCIC administers the AgriInsurance (Crop Insurance) and the AgriStability programs under the authority of *The Saskatchewan Crop Insurance Corporation Act*. SCIC's head office is located in Melville with 21 customer services offices in communities throughout the province.[2] It employs over 500 staff with approximately 100 staff at head office who deal with the AgriStability program.

In 2008, the AgriStability program was created under the *Growing Forward: A Federal-Provincial – Territorial Framework Agreement on Agriculture, Agri-food and Agri-based Products Policy* (known as the Growing Forward Agreement). The objective of the

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[1] The AgriStability program is referred to as a margin-based program because it compares the producer's current year margin (net income) to the producer's average margin of the previous five years.

[2] Saskatchewan Crop Insurance Corporation *Annual Report 2011-12*, p. 6.

AgriStability program is to provide financial support to producers who experience large income losses (i.e., an income-based support program).[3]

On January 1, 2010, SCIC took over the administration of the AgriStability program. Previously, the Federal Government's Department of Agriculture and Agri-Food Canada (AAFC) administered the program. AgriStability is cost shared between the provincial and federal governments. The Federal Government pays 60% of the program costs, including benefit payments, and the Saskatchewan Government (Ministry of Agriculture) pays 40%.[4]

SCIC is responsible for having effective processes to determine AgriStability program benefits consistently and equitably as described in the Growing Forward Agreement.

3.0 BACKGROUND

There are approximately 23,000 Saskatchewan producers enrolled in the AgriStability program. It covers most types of farm operations including grain farms, livestock operations, and produce operations. As of February 21, 2013, SCIC had processed approximately 15,000 of the 2011 program year files. Of these processed files, 23% or approximately 3,500 files had calculated benefits owing to the producer and the remaining 77% or 11,500 files had a calculated benefit of zero.

Benefit payments to producers under the AgriStability program are based on specific calculations for a program year. The change in a producer's current year's income[5] is compared to the average of the producer's previous five years' income.[6] The process involves receiving income tax return information from the Federal Government's Canada Revenue Agency (CRA) and certain other information directly from the producer, and performing a number of verification steps. SCIC calculates the benefit payment due to the producer. If information used in the calculation is not correct, it not only affects the current year calculation but it could also affect the calculation for several years into the future. This is because benefits are calculated based on current and past years' income.

SCIC's financial statements for the year ended March 31, 2012 recorded AgriStability indemnity (benefits) expenses of $101 million (March 31, 2011 - $144 million and March 31, 2010 - $198 million). During the year ended March 31, 2013, SCIC paid approximately $245 million in AgriStability benefits.

Producers (if eligible) can receive an interim payment and a final payment. SCIC calculates final payments after it receives all information from the producer and the CRA, which can take up to several months after SCIC's year-end. For example, for the 2012 program year, a majority of the producers had a year-end of December 31, 2012. Those producers are not required to file their tax returns with CRA until June 30, 2013. Also, the deadline for producers to submit program forms is September 30, 2013, which is after SCIC's March 31 year-end. Therefore, at March 31, 2013, SCIC has complete information for the 2012 program year for only a few producers. For this reason, the year-end liability includes an estimate of the amount of benefit payments owing at year-end.

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[3] Ibid., p. 7.
[4] Ibid., p. 26.
[5] The program year is defined as the taxation year for which program forms are being submitted. The producer's current year income is adjusted for items such as changes in inventory valuation, receivables, payables, and purchased inputs. See pages 10 and 14 of the *AgriStability Program Handbook*.
[6] The previous years' income amount is calculated by taking the average income of the previous five years with the highest and lowest years dropped.

SCIC needs to ensure that it calculates the benefit payments in accordance with the Growing Forward Agreement. It needs to apply the rules and procedures consistently to all producers enrolled in the program. If benefits are not calculated correctly, SCIC is at risk of not meeting its objective for the AgriStability program. If payments are too high, the overpayments could result in the program being no longer financially viable. If payments are too low, the producers may not receive the income support they need to remain viable.

4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether SCIC had effective processes to determine AgriStability program benefits consistently and equitably for the year ended March 31, 2013.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate the SCIC's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. SCIC's management agreed with the criteria in **Figure 1**.

We examined how SCIC carries out the requirements of the AgriStability program. We interviewed key management personnel and staff at SCIC. We also examined SCIC's policy and procedure documents developed for the AgriStability program and examined a sample of producer files to determine whether SCIC calculated benefit payments in accordance with established procedures.

Figure 1—Audit Criteria

To have effective processes to determine AgriStability program benefits consistently and equitably, SCIC should:

1. Establish policies and procedures for processing benefit payments
2. Assess benefit payments for eligibility and reasonableness
3. Process benefit payments fairly and objectively in accordance with established policies and procedures
4. Estimate unpaid benefit payments
5. Monitor program performance

We concluded that, for the year ended March 31, 2013, SCIC's processes to determine AgriStability program benefits consistently and equitably were effective except that SCIC needs to:

- **Document its procedures for reviewing the assumptions and the calculation of the benefit estimates**
- **Establish procedures to analyze previous estimates of AgriStability benefits and compare the estimates with actual benefits in order to refine its estimate process**

- **Set targets for its performance measures used to monitor the AgriStability program**

- **Actively monitor to ensure its staff do not process AgriStability files where a real or perceived conflict of interest could arise**

During the course of our audit, we looked at the processes that SCIC and the Ministry of Agriculture used to estimate the March 31 liability for SCIC's financial statements and Saskatchewan's Public Accounts. We discuss the results of our work in **Section 6.0.**

We concluded that SCIC needs to:

- **Work with the Ministry of Agriculture to develop processes to ensure that the estimates for AgriStability program benefits are reasonable, consistent, and current.**

5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out our expectations, key findings, and recommendations related to each of the criteria.

5.1 Policies and Procedures for Processing Benefit Payments in Place

We expected SCIC to:

- *Create policies and procedures in accordance with the Growing Forward Agreement*

- *Have policies and procedures approved and communicated*

- *Maintain policies and procedures*

- *Periodically review policies and procedures to assess efficiency, effectiveness, and objectivity of program delivery*

The AgriStability program is a Canada-wide farm income stabilization program with participation by the Federal Government and all provinces and territories. All parties agree upon the policies used to carry out the program. The approved Growing Forward Agreement specifies these policies. In addition, a working group was established to develop program guidelines. The working group has representation from the Federal Government and each province and territory, and maintains the guidelines through periodic meetings. The group recommends any changes to the guidelines for approval by the Federal Government and all provinces and territories.

Based on these program guidelines, SCIC has developed an *AgriStability Program Handbook*. This handbook provides producers and SCIC's staff with detailed guidance on how the program operates.

SCIC has also developed procedure documents and checklists to guide its staff in processing AgriStability benefits. For example, SCIC has documented the detailed procedures for the staff assigned to do an independent check on the calculation of a producers' AgriStability benefit.

SCIC uses informal processes to revise its documented procedures for processing AgriStability benefits. We noted that SCIC had revised several procedure documents within the last 12 months. All parties to the AgriStability Growing Forward Agreement have signed a new agreement effective April 1, 2013. Management of SCIC indicated it plans to incorporate the new agreement into its documented procedures.

SCIC has a corporate-wide conflict-of-interest policy. Annually, staff sign a form as evidence that they have read and agree to follow SCIC's conflict-of-interest policy. This policy states that staff members cannot handle files where a potential conflict of interest could arise. Potential conflict situations could involve relatives, business partners, or close personal friends enrolled in the AgriStability program. Staff are required to disclose names of relatives or business partners where a potential conflict could arise. However, staff do not have to disclose names of close personal friends where a conflict could arise. Also, SCIC does not have processes to monitor to ensure staff have not processed a file where staff had a conflict of interest.

Because SCIC staff do not declare all potential conflicts of interest, we were not able to determine if there were any instances where staff had processed a file where they had a conflict of interest. SCIC should monitor files processed in order to reduce the risk of staff processing AgriStability benefit files of relatives, business partners, or close friends.

1. **We recommend that the Saskatchewan Crop Insurance Corporation actively monitor to ensure its staff do not process AgriStability files where a real or perceived conflict of interest could arise.**

5.2 Benefit Payments Assessed for Eligibility and Reasonableness

We expected SCIC to:

- *Provide adequate communication to producers regarding program information, application, forms, and deadline dates*
- *Calculate benefit payments in accordance with established policies and procedures*
- *Have an independent check to ensure benefit payments are calculated correctly and objectively*

SCIC provides participants enrolled in the AgriStability program with sufficient information to file for AgriStability benefits. This includes the *AgriStability Program Handbook*, the New Participant Form, and the *New Participant Guide*. SCIC also provides information on its website including the *AgriStability Program Handbook*, information on deadline dates, information on filing appeals, and various AgriStability forms.

SCIC uses a computer program to gather information and calculate individual producers' AgriStability benefits. The computer program has a number of edit checks (checks). These checks help to ensure that the information entered is reasonable and the calculated amount of the AgriStability benefit is correct. It verifies that none of the required information is missing, information submitted appears reasonable, and the required reviews and on-line approvals are entered before payment is made to the producer. Where these checks highlight a potentially significant issue, staff must resolve the issue before processing can continue. For example, if a check highlights that a producer's inventory does not appear reasonable based on production and sales, staff will investigate the issue by obtaining further information from the producer, performing further analysis on the information the producer has provided or by performing a comparison to the information in the producer's crop insurance file. We found that staff document the resolution in the producer's file.

SCIC has set out risk-based processes that require independent reviews of the accuracy of the benefit payment calculation. SCIC uses a hierarchy for determining the level of review required for each producer file. SCIC requires that the higher the calculated benefit, the greater the level of review. For example, SCIC requires an independent review unless the file passed all edit checks and the benefit is less than $5,000. SCIC also has a Quality Assurance group that checks the information entered into the computer system for all files where the calculated payout is above $40,000. For the 2011 program year, there were approximately 900 of these files (25% of all files where a benefit payment was calculated). SCIC also has a policy to further review files where the calculated payment is more significant.[7]

SCIC has detailed checklists for staff to use when performing an independent review and for staff in the Quality Assurance group. The checks include ensuring prior year files for the producer are complete, reviewing the data for incomplete or inconsistent information, and ensuring that all issues highlighted through the edit checks have been resolved. The results of our testing show that SCIC followed these processes and completed related checklists.

5.3 Benefit Payments Processed Fairly and Objectively in Accordance with Established Policies and Procedures

We expected SCIC to:

- *Make interim payments in accordance with established policies and procedures*
- *Verify producers' information before payments are made*
- *Document processes to handle producers' enquiries and requests for appeals*
- *Have processes for correcting and documenting benefit calculation errors*

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[7] Payments of $250,000 or greater must be reviewed and approved by a supervisor. Payments of $500,000 or greater must be reviewed and approved by a manager.

SCIC has set out processes for determining interim payments. The *AgriStability Program Handbook* specifies the eligibility requirements for interim payments. The process includes checking the eligibility of the producer for an interim payment. Interim payments also need to have an independent review using the same thresholds for final payments as mentioned in **Section 5.2**. To reduce the risk of overpayments, interim payments are limited to 50% of the expected benefit payment for the program year.

As mentioned in **Section 5.2**, SCIC staff verify the information received through edit checks and a review of the information contained in the producer's file.

SCIC deals with producer enquiries centrally through its call centre. Call centre staff log calls to ensure SCIC follows up all calls. Where there are potential changes to the producer information, call centre staff forward the enquiry to AgriStability staff to investigate and resolve.

SCIC has set out an appeal process as described in **Section 5.5**. Staff handle errors in a similar manner as changes from producer enquiries. They update the producer's file based on the new information, and also document the reasons for the change. Producers receive a revised statement of benefits that shows the revised calculation.

Where staff update information in the producer file, the file is re-opened and it undergoes the same checking as the original including edit checks and independent reviews. Before a revised file can be closed, it must be signed off again. SCIC's computer system tracks the open producer files to ensure that staff have processed all files. Files are automatically removed from the list of open producer files once the processing has been completed and the file contains the appropriate sign-offs.

The results of our testing show that SCIC followed these processes.

5.4 Improved Procedures for Estimating Program Year Expenses Needed

We expected SCIC to:

- *Establish policies and procedures for calculation of the estimate*
- *Calculate the estimate using current information*
- *Obtain senior management's approval of the estimate*
- *Compare estimated amounts to actuals in order to refine estimation assumptions in future years*

For the calculation of the estimate using current information, we expected SCIC to actively seek and use current information when making its estimates of expenses for the AgriStability program. We expected SCIC to re-assess, evaluate, and consider the impact on its estimate of any changes needed to the assumptions used in the estimation process that occur between January and March 31 of each year. In addition, we expected SCIC to document its consideration of these assumptions up to the completion of its financial statements.

The process to determine the AgriStability estimate is complex. There are many factors that affect farm incomes and subsequently the estimated amount of AgriStability benefits, such as the overall strength of the farm economy, commodity prices, inflation related to the price of farm inputs, moisture levels and weather patterns, etc.

SCIC does not have a model to estimate the amount of AgriStability benefit payments likely to be paid out for a given program year. SCIC relies on Agriculture and Agri-food Canada (AAFC) for this estimate. AAFC's estimate provides an amount specific to Saskatchewan as at December 31. AAFC bases this estimate on an economic forecast of the overall condition of the farming industry in Canada and in Saskatchewan and assumptions for such items as grain prices and quantities and prices of farming inputs. However, this estimate may not take into account all of the unique circumstances for Saskatchewan. For example, management of SCIC indicated that in a year with excess moisture in Saskatchewan, AAFC's estimate would calculate an overall effect of flooding for the province. A better estimate would determine the effect of flooding for only the flooded areas as opposed to applying an average adjustment for the entire province.

AAFC develops an initial forecast usually in January for the previous program year. The Provincial Ministry of Agriculture (Ministry) and SCIC officials have input into AAFC's forecast and assumptions. The Ministry, with input from SCIC, is responsible for reviewing the initial forecast and providing information to AAFC that may affect the forecast. For example, the estimated breakdown by crop type would affect the forecasted amount as crop prices will vary. If SCIC and the Ministry consider that AAFC's estimated breakdown is not reasonable based on Saskatchewan's circumstances, the Ministry would ask AAFC to revise that assumption. When the Ministry is satisfied with the assumptions, AAFC would then calculate a final estimate. Once AAFC completes its estimate of the AgriStability benefit, SCIC and the Ministry review and approve the estimate.

Although SCIC and the Ministry have developed some documentation regarding the calculation of the estimate, it is not complete. The documentation does not include processes for reviewing the calculation of the AgriStability estimate, reviewing the assumptions used, updating the estimate for their annual financial statements, and providing input to AAFC to refine the estimation process for Saskatchewan.

2. **We recommend that the Saskatchewan Crop Insurance Corporation document its procedures for reviewing the assumptions and reviewing the calculation of the estimate of benefits for its AgriStability program.**

For its year-end financial statements, SCIC calculates the amount payable to producers at its year-end by deducting payments to producers made to its year-end from the estimated total amount of AgriStability benefit payments as calculated above. Although AAFC calculates the estimate of the total AgriStability benefits approximately four months before SCIC completes its year-end financial statements, SCIC does not review the assumptions made to ensure that they remain valid at the date of the completion of SCIC's financial statements. Nor does it adjust the estimate for any new information that may affect the estimate.

At March 31, 2013, SCIC had received approximately 400 files with complete information for the 2012 program year. SCIC had processed half of those files at March 31, 2013. This means that at March 31, 2013, SCIC did not have enough benefit payment experience to use to improve its estimate of the total AgriStability benefits for the 2012 program year.

However, at March 31, 2013, SCIC had processed the majority of the 2011 and previous years' program files. Therefore, SCIC would be able to compare the actual amounts of program benefits paid for those years to its previous estimates of total program benefits. A detailed analysis of the causes of the differences between SCIC's estimated program benefits for a program year and the actual benefits paid out for that program year may provide information to help SCIC improve the future accuracy of its program year benefit estimate process. SCIC does not presently perform such analysis. This analysis could aid in refining the estimate process and the assessment of assumptions. Refining the process could help future estimates to be more accurate.

Figure 2 compares the estimated AgriStability program year expense compared to the actual program year benefits. It shows that past program year benefit estimates have fluctuated significantly as compared to the actual amount of the total program year benefits.

Figure 2–Three-year Comparison of Estimated and Actual AgriStability Expenses by Program Year Ended December 31

Program Year	Original Estimate of AgriStability Benefits (in millions)	AgriStability Benefits to March 31, 2012[8] (in millions)	Difference (in millions)
2009	$ 204.8	$ 132.2	$ 72.6
2010	$ 248.3	$ 222.9	$ 25.4
2011	$ 101.5	$ 173.7[9]	$ (72.2)

Source: Saskatchewan Crop Insurance Corporation accounting records

3. **We recommend that the Saskatchewan Crop Insurance Corporation establish processes to compare its estimates of past years' benefits for its AgriStability program to actual benefits to help improve the estimate process for the AgriStability benefits.**

5.5 Monitoring of Program Performance Needed

We expected SCIC to:

- *Set out specific performance measures*
- *Analyze attainment of measurement goals*

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[8] This is the actual amount of benefits paid by program year up to March 31, 2012. It also includes an estimate of benefits not yet paid.

[9] This is the amount of benefits paid up to March 31, 2013 and does not include an estimate of benefits not yet paid at March 31, 2013.

- *Investigate complaints*
- *Provide reports to management*
- *Adjust procedures based on analysis*

The working group described in **Section 5.1** has set out performance measures and targets for the AgriStability program. These are on a Canada-wide basis and help AAFC to measure the program's overall performance. SCIC measures and reports to AAFC on its performance related to those targets.

SCIC includes in its annual report its own specific performance measures for the AgriStability Program. For example, SCIC tracks and reports the percentage of AgriStability files that staff process within 75 days, the administrative costs per AgriStability file, and the percentage of calls to its Call Centre that are answered within a set time. SCIC also uses satisfaction surveys to track producers' satisfaction of SCIC's customer service. Although SCIC reports to management on the status of the performance measures, SCIC has not set out specific targets for those performance measures. For example, SCIC does not set a specific target for the percentage of AgriStability files that staff should process within 75 days.

4. **We recommend that the Saskatchewan Crop Insurance Corporation set targets for its performance measures related to its AgriStability program and report to senior management on its progress in achieving those targets.**

SCIC has a process to deal with producer complaints. A producer may contact SCIC in a variety of ways: through its Call Centre, in person at a Customer Services Office, or contact with an AgriStability Advisor. If the complaint requires further analysis or adjustment of the producer's file, staff re-open the file and it is re-sent through the regular benefit verification processes. Although SCIC has processes to ensure it addresses all individual complaints, it does not keep track of the number of complaints received. The number of complaints would be another indicator of producer satisfaction.

If a producer believes SCIC has not satisfactorily resolved the complaint, the producer can file an appeal. The Growing Forward Agreement requires SCIC to establish an appeals committee. The procedures to file an appeal are set out in the *AgriStability Program Handbook*. The process starts with the producer submitting a request for an appeal. AgriStability staff review the request and contact the producer if further information is required. For some requests for appeals, the additional information provided by the producer may result in the resolution of the issue before the appeal is heard by the Appeal Committee. If the issue has not been resolved, staff forward the issue to the Appeals Committee. Once the Appeals Committee reviews the appeal, it makes a recommendation to the SCIC Board. The Board then makes a final decision on the appeal and SCIC staff carry out the Board's decision. SCIC typically has less than 10 appeals per year. During the year, SCIC had 10 appeals. The results of our testing show that SCIC followed these processes.

6.0 YEAR-END ESTIMATE PROCESS NEEDS REFINEMENT

SCIC uses its estimate for the AgriStability program year benefits to then calculate its AgriStability expense for its financial statements at its March 31 year-end. The Ministry uses SCIC's estimate to calculate its 40% share of the program benefits. The Ministry of Finance then includes an estimate of the March 31 expense and liability in Saskatchewan's Public Accounts (Public Accounts).

SCIC and the Ministry work together to review the reasonableness of AAFC's forecast of the total AgriStability benefits for each program year for the province. They also approve the final estimate for Saskatchewan's total AgriStability benefits. In **Section 5.4,** we made two recommendations to improve SCIC's processes to calculate the program year estimate of AgriStability benefits. Meeting these recommendations will require both SCIC and the Ministry to work together to document and refine the process to improve the accuracy of the March 31 year-end estimates.

Since the inception of the AgriStability program, the March 31 estimates have fluctuated significantly. For example, SCIC's March 31, 2011 financial statements included an adjustment for the 2009 program year of $98 million (decrease of the expense). Further to that adjustment, SCIC adjusted its March 31, 2012 financial statements by increasing its expense by $25 million for the 2009 program year. In addition, SCIC adjusted its March 31, 2012 financial statements by decreasing its expense by $25 million related to the 2010 program year.

Figure 3 highlights the difference between the AgriStability expense recorded in SCIC's financial statements and the expense amount that it could have recorded if it had used a better model or estimate process.

Figure 3–Saskatchewan Crop Insurance Corporation AgriStability Expenses at Year-end as per March 31 Financial Statements

SCIC Year-end	Recorded AgriStability Estimated Expenses (Benefits) as per March 31 Financial Statements[10] (in millions)	AgriStability Expenses That Could Have Been Recorded[11] (in millions)	Difference (in millions)
March 31, 2010	$ 197.7	$ 125.1	$ 72.6
March 31, 2011	$ 144.3	$ 222.9	$ (78.6)

Source: Saskatchewan Crop Insurance Corporation accounting records

Figure 4 shows a comparison of the AgriStability benefit liability SCIC recorded in its financial statements to the actual amounts it could have recorded if it had used a better model or estimate process.

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[10] Amounts are from SCIC's annual financial statements in the line item labelled as Indemnities.

[11] These are the actual amount of expenses as of March 31, 2012 and includes amount paid for previous program years. For comparability purposes, this amount also includes an estimate of the benefits not yet paid as of March 31, 2012.

Figure 4–Saskatchewan Crop Insurance Corporation AgriStability Liability at Year-end as per March 31 Financial Statements

SCIC Year-end	Recorded AgriStability Estimated Payable (Benefits) as per March 31 Financial Statements[12] (in millions)	Actual AgriStability Payable That Could Have Been Recorded[13] (in millions)	Difference (in millions)
March 31, 2010	$ 197.0	$ 124.4	$ 72.6
March 31, 2011	$ 257.7	$ 260.3	$ (2.6)[14]

Source: Saskatchewan Crop Insurance Corporation accounting records

Figures 3 and 4 show that the actual amounts have varied significantly from the estimated amounts. Without good processes to estimate the AgriStability liability and expenses, there is a risk that SCIC's financial statements and Saskatchewan's Public Accounts may not be correct. SCIC needs to work with the Ministry to ensure its processes accurately estimate the expenses and liability at March 31 each year.

The Ministry relies on SCIC to provide information to complete the schedules required for completion of the Public Accounts. SCIC and the Ministry need information that is consistent and reflects the most current information available. We note that for the 2012 fiscal year, SCIC adjusted its March 31, 2012 financial statements based on benefit payment experience. The adjustment was a $12 million increase in the estimate of benefit liability.

5. **We recommend that the Saskatchewan Crop Insurance Corporation work with the Ministry of Agriculture to develop processes to ensure that the annual fiscal year-end estimates for AgriStability program benefits are reasonable, consistent, and current.**

7.0 SELECTED REFERENCES

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[12] Amounts are from SCIC's annual financial statements and include amounts outstanding from prior program years. These are labelled in the financial statements as Indemnities Payable.

[13] These are the actual amounts paid as of March 31, 2012 and includes amount paid for previous program years. For comparability purposes, this amount also includes an estimate of the benefits not yet paid as of March 31, 2012.

[14] The difference of $2.6 million includes an adjustment to increase the 2009 program year estimate by $25 million and an adjustment to decrease the 2010 program year estimate by $25 million.

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Chapter 8
Capital Asset Planning for Schools

1.0 MAIN POINTS

This chapter describes our audit of the Ministry of Education's (Ministry) capital asset planning processes for facilities to house and support educational programs and instructional services for students in school divisions.

Effective capital asset planning processes help the Ministry to ensure the right size of schools are built in the right location to facilitate the needs of students. The Ministry has the responsibility to oversee capital asset projects for the entire provincial Pre-Kindergarten to Grade 12 system. School divisions are required by the Ministry to identify and manage capital asset projects. Each school division conducts analysis of its capital asset needs compared to its existing capacity and requests Ministry approval for projects to meet its needs.

Saskatchewan's population has been shifting towards becoming more urban, resulting in enrolment changes across school divisions. As a result, in some cases schools are being over utilized, while in other cases they are being under utilized. The Ministry has the challenge of balancing the demand for new schools with the cost of maintaining safe and healthy schools, including those that are experiencing declining enrolment.

Currently, there are 41 approved projects on the Ministry's 2012 Capital Request list (projects completed and currently under construction) that will cost approximately $735 million. The Ministry provided $47 million to assist school divisions in funding capital projects during 2011-12 and estimated it will spend $112.4 million in 2012-13 and $119.6 million in 2013-14.

For the twelve-month period ended December 31, 2012, we found the Ministry of Education did not have effective capital asset planning processes for facilities to house and support educational programs and instructional services for students in school divisions.

The Ministry needs to:

- Develop and use a capital asset strategy that coordinates overall capital needs for the Pre-Kindergarten to Grade 12 system across the province to ensure the most important projects are approved and completed on a timely basis
- Review, update, and communicate to school divisions its capital asset policies (including Funding Guidelines) for the provincial Pre-Kindergarten to Grade 12 system including providing guidance on how it coordinates needs across the province
- Conduct analysis of the provincial Pre-Kindergarten to Grade 12 system capital asset requirements and capacity in order to identify current and future gaps
- Consistently prioritize all capital project requests across the provincial Pre-Kindergarten to Grade 12 system and track those projects

- Select the method of financing for capital projects of school divisions based on the analysis of capital financing alternatives
- Measure the success of its capital asset strategy

In this chapter, we make eight recommendations to assist the Ministry of Education in improving its processes.

2.0 INTRODUCTION

The Education Act, 1995 (Act) assigns to the boards of education (school boards) responsibility for the administration and management of school facilities, with oversight from the Ministry of Education (Ministry). The Act requires the Ministry to approve all major capital projects (i.e., those costing more than $1 million) such as construction of new school buildings, additions to existing school buildings, or major renovations of school buildings. The Ministry is responsible for aligning capital project funding with the educational needs of communities and the provincial Pre-Kindergarten (Pre-K) to Grade 12 system as a whole. **Figure 1** highlights the key responsibilities of the Ministry and of school divisions related to capital projects according to the Act.

Figure 1—Key Responsibilities of the Ministry and School Divisions for Capital Projects

School Division Responsibility	Ministry Responsibility
Prepare operating and capital budgets for Ministry approval	Approve operating and capital budgets
Prepare and maintain inventory of capital assets	-
Determine capital needs and submit project requests to Ministry	Approve major capital projects
Submit budget request to Ministry	Approve capital grants
Determine financing needs and submit request to borrow to Ministry	Provide consent for capital borrowing

Source: *The Education Act, 1995*

3.0 BACKGROUND

Functional school buildings are necessary for students to maximize their learning opportunities. Over 168,000[1] children are in Saskatchewan schools each day. The province has 28 schools divisions with 603 schools, as shown in **Exhibits 7.1 and 7.2**. The province's population continues to shift towards urban areas, resulting in enrolment increases and decreases in some school divisions. For example, as shown in **Exhibit 7.1**, six school divisions have had enrolment increases greater than 3.8% since 2010.[2] Conversely, some school divisions have excess capacity in some schools (**Exhibit 7.1** shows 67 schools with a utilization rate of under 50% at September 30, 2012). In addition to providing capital funding to school divisions with increasing enrolment, the Ministry must also ensure that school divisions with declining enrolment receive sufficient funding to maintain schools appropriately to provide a safe and healthy learning environment.

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[1] Provincial K-12 Student Enrolment Summaries obtained from: www.education.gov.sk.ca/IEF/2012-provincial-k-12-enrolment (12 April 2013).

[2] Provincial School Enrolment Statistics. www.education.gov.sk.ca/edfinance/provschool-enrolment (12 April 2013).

About 70% of school buildings in the provincial system are more than 40 years old.[3] Statistics Canada estimates the service life of education buildings at about 40 years.[4] Therefore, significant investment in maintenance, renovation, or replacement of schools is likely to be required in the next several years.

Annually, the Ministry issues a Major Capital Request List[5] to communicate capital projects in progress and new major capital requests received from school divisions. The 41 projects on the 2012 Major Capital Request List (projects completed and currently under construction) will cost approximately $735 million ($427 million funded by the Ministry; $308 million funded by the school divisions).[6] There are also 113 new major capital requests for which final project costs will be determined if approval is received from the Ministry to start detailed planning. The Ministry provided $47 million[7] to assist school divisions in funding capital projects during 2011-12, and budgeted $112.4 million and $119.6 million[8] for the fiscal years 2012-13 and 2013-14, respectively. The current level of funding is not sufficient, contributing to an infrastructure deficit. As such, it is important that effective and economical choices are made as to where capital money is spent. **Exhibit 7.1** compares capital funding to enrolment and school utilization for the period of 2010 – 2012.

Effective capital asset planning processes are essential to reduce the risk of funding lower priority capital projects.

The overall vision (direction) of the Government of Saskatchewan is "Saskatchewan will be the best place in Canada – to live, to work, to start a business, to get an education, to raise a family and to build a life."[9] This direction should drive the Ministry's strategic plan, which then should drive capital asset planning and decision-making. However, this is currently not the case. Implementing the eight recommendations in this chapter will help the Ministry to align its capital asset strategies with the goals of the Government. This alignment will help to ensure the right schools are constructed/renovated at the right time to best meet the overall educational needs of Saskatchewan.

4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether the Ministry had effective capital asset planning processes for facilities to house and support educational programs and instructional services for students in school divisions for the twelve-month period ended December 31, 2012. Facilities include school buildings, land, and significant permanent installations (e.g., heating and air conditioning units).

We reviewed the policies and guidelines governing the Ministry's capital asset planning processes, and examined information the Ministry used to analyze capital projects recommended by school divisions. In the winter of 2013, we observed and discussed with four selected school divisions their processes and the documentation they used to identify capital asset priorities and prepare requests for capital asset funding from the Ministry. In February 2013, the remaining 24 school divisions were surveyed to supplement our understanding of the Ministry's processes. **Section 5.0** and **Exhibit 7.3** summarize the survey results.

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[3] Source: Ministry of Education.
[4] Ministry of Education Plan for 2012-13, p. 13.
[5] The Major Capital Request List is prepared by the Ministry on an annual basis and prioritizes the approved major capital requests and indicates the current stage of the approval process for projects.
[6] www.education.gov.sk.ca/corporate-services/infrastructure/2012-capital-request (12 April 2013).
[7] *Ministry of Education, 11-12 Annual Report*, p. 24.
[8] Saskatchewan Ministry of Finance. (2013). Saskatchewan Provincial Budget 13-14– Balanced Growth: Estimates, p. 56.
[9] Saskatchewan Provincial Budget 13-14 – *Balance Growth: Budget Summary*, p. 6.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate the Ministry's capital asset planning processes, we used criteria based on the work of other auditors and current literature. **Section 8.0** includes the primary sources for these criteria. Ministry of Education management agreed with the criteria in **Figure 2**.

Figure 2—Audit Criteria for Capital Asset Planning Processes

To have effective capital asset planning processes for facilities in school divisions, the Ministry should:

1. **Coordinate a system-wide strategy**
   - 1.1 Have an established capital asset policy framework
   - 1.2 Establish criteria to prioritize capital asset needs

2. **Identify capital asset needs**
   - 2.1 Determine long-term capital asset needs
   - 2.2 Determine existing capital asset capacity (i.e., collect accurate and complete information from school divisions)
   - 2.3 Analyze the gap between existing capital asset capacity and long-term needs

3. **Select capital asset projects**
   - 3.1 Assess alternatives to meet needs (including consideration of life-cycle costs)
   - 3.2 Approve capital asset projects that meet priority needs
   - 3.3 Determine how capital asset projects will be financed
   - 3.4 Ensure proper accounting for financing arrangements

4. **Measure success of capital asset strategies**
   - 4.1 Set measures to evaluate (e.g., location, size of schools, capacity utilization)
   - 4.2 Evaluate planning process

We concluded that, for the twelve-month period ended December 31, 2012, the Ministry of Education did not have effective capital asset planning processes for facilities to house and support educational programs and instructional services for students in school divisions. The Ministry needs to:

- **Develop and use a capital asset strategy that coordinates overall capital needs for the Pre-Kindergarten to Grade 12 system across the province to ensure the most important projects are approved and completed on a timely basis**

- **Review, update, and communicate to school divisions its capital asset policies (including Funding Guidelines) for the provincial Pre-Kindergarten to Grade 12 system including providing guidance on how it coordinates the needs across the province**

- **Conduct analysis of the provincial Pre-Kindergarten to Grade 12 system capital asset requirements and capacity in order to identify current and future gaps**

- **Consistently prioritize all capital projects across the provincial Pre-Kindergarten to Grade 12 system and track those projects**

- **Select the method of financing for capital projects of school divisions based on the analysis of capital financing alternatives**
- **Measure the success of its capital asset strategy**

5.0 SURVEY SUMMARY

In this section, we summarize the results of our school division capital asset planning survey (survey) of the 24 school divisions we did not visit during our audit. The survey consisted of questions answered using a rating scale and yes/no responses. These results were used to supplement our understanding of the Ministry's processes. The overall response rate to our survey was 88%. **Exhibit 7.3** shows the survey questions and a summary of results.

According to the survey, 55% of school divisions identified that the capital asset planning processes used by the Ministry for schools in Saskatchewan are not effective. The Ministry did not provide capital asset planning guidance to meet the needs of 55% of school divisions.

The Ministry requires school divisions to maintain long-term capital asset plans that identify gaps and deficiencies to support capital requests. 65% of school divisions understood that requirement, and 80% indicated that they prepared a long-term capital asset plan.

The challenges to completing accurate capital asset plans were also identified by school divisions. 50% of school divisions did not receive guidance from the Ministry on how to inventory current capital assets. As well, 65% of school divisions indicated that they did not receive guidance from the Ministry on evaluation of future capital asset needs (i.e., projecting future enrolment, consulting with municipalities on expected growth). Additionally, 70% of school divisions did not receive guidance from the Ministry on how to conduct the appropriate analysis needed to support their capital asset funding requests.

According to 50% of the survey respondents, the Ministry clearly communicated how school divisions' capital asset projects will be funded. 70% of school divisions did not identify in their capital asset plans how construction of capital assets would be funded.

6.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria in **Figure 2**.

6.1 System-wide Strategy to Coordinate Capital Asset Planning Needed

The Ministry's capital asset policy framework is documented within the Pre-K to Grade 12 School Facilities Funding Guidelines (Funding Guidelines). The Funding Guidelines apply to publicly-funded educational facilities offering the provincially-approved Pre-K to Grade 12 curriculum. The Funding Guidelines include the Ministry's detailed processes for capital project approval and prioritization (including project prioritization criteria) on a project-by-project basis.

We expected that the Ministry's capital asset Funding Guidelines would consider a capital strategy in the context of the provincial system as a whole (i.e., system wide). We found that the Funding Guidelines and *The Education Regulations, 1986* (Regulations) use a "silo" approach. The Ministry analyzed individual capital project requests based on circumstances of only the requesting school division. The Regulations and the Funding Guidelines do not require a coordinated analysis of capital needs across school divisions. For example, the Ministry calculated a weighted utilization factor for each school using enrolment statistics from school divisions (i.e., looks at enrolment compared to school space). For each capital project, the Ministry used the weighted utilization factor to assess whether a school had a critical space shortage. If a school was over utilized, the Ministry assessed the utilization of other schools in that school division within a 30 kilometer radius to identify possible alternate schools that the students could attend. However, the Ministry did not analyze utilization of schools within a 30 kilometer radius located in other school divisions. See **Exhibit 7.1** for analysis of over/under utilization of schools.

Figure 3 describes a further example of an issue that has resulted when a system-wide strategy to coordinate capital asset planning is not used. Cross-divisional solutions will require Ministry communication of strategies to support and foster collaboration among school divisions. In some cases, the Ministry has been able to work with school divisions to successfully employ a joint-use approach.

Figure 3—Example of Managing Challenges Across School Division Boundaries

In the winter of 2013, we visited a school division that has a Kindergarten to Grade 8 school located in a small community. The student enrolment at this school is less than 35 students (which is about 2% of the school division's total enrolment). The school requires significant capital upgrades in the near future.

The school division recognizes that providing significant capital funding to a school with such a small enrolment may not be the most economical use of funding. Before the school division can consider closing this school, it is required to conduct a school review pursuant to section 87.2 of *The Education Act, 1995*. However, section 95.8(2) of *The Education Regulations, 1986* (Regulations) prohibits a school review from taking place if the distance to the nearest school within the same school division exceeds 40 kilometers. The school in this case is more than 40 kilometers from the nearest school within the school division, prohibiting management from conducting a review of this school.

However, this school is less than 20 kilometers from the nearest school that is within another school division. This may present an opportunity that is not currently considered under the existing capital asset Funding Guidelines and the Regulations (e.g., administrative agreement to share facilities, bus students to the other school).

Source: Provincial Auditor Saskatchewan (February 2013)

If the Ministry does not conduct a coordinated analysis of capital requests across school divisions throughout the provincial system, capital funding may not be provided to the right school divisions. This could increase the risk that several projects may receive capital funding when other alternatives such as busing students to another nearby school (even if it is not in the same school division) may be the most efficient use of scarce resources.

1. **We recommend that the Ministry of Education develop and use a capital asset strategy that coordinates overall capital needs for schools in the provincial Pre-Kindergarten to Grade 12 system.**

6.1.1 Policies (Funding Guidelines) Outdated

We expected that the Ministry would formally review the continued relevance of its Funding Guidelines. The Funding Guidelines in effect during our audit period were established on April 1, 2006. In our survey, school divisions indicated that there is confusion regarding application of the current Funding Guidelines and changes to the funding model. The Ministry advised us that it is in the process of doing a comprehensive review and update of the Funding Guidelines.

Since the Ministry's last formal review of the Funding Guidelines in 2006, the Government has significantly changed its relationship with school divisions, which has impacted how capital projects are funded. Historically, each school division would establish the education property tax mill rates necessary to assist in funding its capital projects. With changes to the Act in 2009, authority to establish education property tax mill rates moved from the school divisions to the Government. As the result of Government policy decisions to lower education property taxes, the Government began providing more capital funding to school divisions through grants. The Funding Guidelines have not been updated to reflect these changes.

In addition, the province has experienced growth and demographic shifts in its population since 2009 resulting in significant school enrolment increases for certain school divisions, as seen in **Exhibit 7.1**. These increases translate into some overcrowded schools in these divisions. Conversely, other school divisions are experiencing decreases in enrolment and underutilization of their schools (see **Exhibit 7.1**). Further, nearly 15% of the province's growth from 2009 to 2012 has been in the 0-4 year age group and over 40% has been in the 20-35 year age group (i.e., common age for child bearing).[10] This suggests that further growth in school enrolment will likely occur over the next few years, increasing the pressure for adequate space in some school divisions. Statistics show that this growth is much higher in some communities (e.g., Saskatoon and Regina and their surrounding communities). The completion of an analysis of student enrolment growth trends to support capital decision-making will be important.

The Funding Guidelines are structured to function in an environment where the population is static. The Ministry's 2012-13 Plan recognized the growth expected in the province, but the Funding Guidelines do not address the impacts of this expected growth (e.g., increasing demand for classroom space, higher costs of construction). A capital asset plan that is kept up to date and linked to the strategic goals of the Ministry and the Government would help the Ministry to predict and anticipate these impacts.

To address the future impacts from changes in funding practices and enrolment, the Ministry's approval processes need to be timely and sufficiently flexible. School divisions commented that the Ministry's capital asset approval processes are not timely, which in turn results in delays in building schools and increased costs (e.g., inflationary increases on construction costs). Delays may be caused by a variety of reasons (e.g., issues in design, contractor availability). **Figure 4** describes an example of the impact that may result if capital decisions are not timely. In November 2012, the Ministry announced plans to speed up the process for portable classrooms to better meet the needs of school divisions. In April 2013, it announced it had identified suppliers to provide up to 40 portable classrooms in time for the beginning of the 2013-2014 school year.

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[10] Saskatchewan Population (at July 1, 2012), by Age Group, 2002 to 2012. Saskatchewan Bureau of Statistics.

Figure 4—An Example of Impact of Slow Approval Process

One rural school division we visited in the winter of 2013 has been experiencing significant challenges due to unprecedented enrolment growth. Enrolment in this school division increased about 4% between September 1, 2010 and August 1, 2012, with higher growth in certain communities. The length of the approval process had a significant impact on this community.

On November 7, 2011, the school division requested Ministry approval to build two portable classrooms that a school needed for the beginning of the next school year in September 2012. The project concept was approved by the Ministry on March 14, 2012. Following this, the school division completed the design phase and tendered construction. On June 20, 2012, about two months prior to the school division's requirement for the portable classrooms, the Ministry approved that the school division could begin construction. Given these timelines, the contractor was not able to build and install the portable classrooms before the beginning of the school year in September 2012. The portable classrooms arrived at the school in January 2013 and were not yet fully installed as of March 31, 2013, after the school year was nearly over. As a result, classrooms were overcrowded for most of the school year.

Source: Provincial Auditor Saskatchewan (February 2013)

The Funding Guidelines should be periodically reviewed and updated to maintain their relevance, which will help ensure that required schools are built in time to meet the evolving needs of communities. The Ministry may find it useful to consult with school divisions to identify concerns with the Funding Guidelines including the evaluation of future capital asset needs and the analysis required to support capital asset requests. Communication to school divisions on subsequent changes would help ensure there is a clear understanding of the Funding Guidelines.

2. **We recommend that the Ministry of Education formally review, update, and communicate its capital asset policies (including Funding Guidelines) for the provincial Pre-Kindergarten to Grade 12 system on a timely basis.**

3. **We recommend that Ministry of Education formally review, update and communicate the process for the prioritization of provincial Pre-Kindergarten to Grade 12 system capital assets.**

6.2 Ministry Needs to Analyze Overall Capital Asset Requirements and Existing Capacity

To adequately identify capital asset needs in school divisions, we expected the Ministry would ensure it had accurate and complete information comparing school divisions' long-term capital asset requirements to existing capital asset capacity (e.g., enrolment, condition of schools, location). This type of formal analysis is not conducted by the

Ministry. Rather, the Ministry relies on each school division to conduct its own analysis comparing its capital asset requirements and capacity to determine its needs (i.e., capital asset gaps). The resulting needs are documented and sent to the Ministry in the form of capital project requests (i.e., for inclusion on the Ministry's Major Capital Request List). The Ministry does not receive nor validate the accuracy or completeness of the information related to capital asset requests.

For example, the Ministry requested information from school divisions about the age of schools. However, the Ministry only received adequate information on school age for about half the schools in the provincial system. For some school divisions, the Ministry only received adequate information for a small proportion of schools. Analysis of this information is not useful because it is incomplete, which could result in the Ministry making decisions based on incomplete information.

The project requests submitted by school divisions use a form that does not encourage school divisions to provide further analysis that could be useful to the Ministry in making its capital asset decisions (e.g., business case, detailed capital plan explaining strategic alignment, environmental scan, key risks, etc.).

We visited four school divisions to obtain an understanding of the processes they use to identify capital asset needs. **Figure 5** provides examples of how this process is conducted in school divisions experiencing larger than expected growth. While we found that the school divisions we visited used many good processes, little of the resulting information is requested or received by the Ministry to enable it to fully evaluate capital asset needs across the provincial system. Our survey results highlighted that 65% of respondents did not receive guidance from the Ministry to help evaluate their future capital asset requirements and 50% did not receive guidance to help evaluate their current capacity (see **Exhibit 7.3**).

Figure 5—An Example of Analysis Conducted by School Divisions

One urban school division we visited in the winter of 2013 has been experiencing significant challenges due to unprecedented growth in its city. The school division maintains communication with local municipal authorities to discuss growth plans and new residential developments within the city.

The school division undertakes a capital strategic planning process annually, which includes an analysis of projected school age children in new neighborhoods. Processes also exist to ensure that information about the condition of existing schools is current and accurate. This information was taken into account when developing a five-year capital construction plan, which was provided to the Ministry. The Plan identified future capital projects for which it will request funding from the Ministry. The school division's process could improve by incorporating other available information into the capital asset approval process, such as subdivisions filling up at accelerated rates compared to original projections.

While the school division used its information internally to identify its needs, the Ministry's current process to request capital funding did not require the school division to build a business case that the Ministry could use in its capital asset decision-making process. Thus, the Ministry did not receive enough information from school divisions to compare needs across the Provincial system or to identify issues and risks that are accelerating or coming in the longer term (i.e., more than five years into the future).

Comparatively, a rural school division we visited has also been experiencing significant growth. While the school division works with local municipal authorities to predict growth and plan accordingly, it has struggled to keep up with change. Significant deferred maintenance issues are competing with growth requirements. For example, in one of its schools, there was significant degradation of the roof, requiring bracing in one classroom to support the roof. In another community, new schools are being built to accommodate overcrowded classrooms. Also, as growth in one part of the division is being addressed, new growth areas are developing that may not receive timely attention. The Ministry does not receive enough information to understand these risks and the long-term implications if these risks are not addressed.

Source: Provincial Auditor Saskatchewan (February 2013)

In addition to analysis of needs by school divisions, the Ministry needs to assess requirements across the provincial system using complete and accurate information. For example, as described earlier, in September of each year the Ministry calculates the utilization of each school for the upcoming school year in the provincial system based upon the most recent enrolment statistics available as of September 30 of the current school year. These numbers are not adjusted for changes to enrolment numbers during the year. However, the Ministry has begun to use forecasted future enrolment estimates to calculate projected future utilization rates. Further analysis could aid the Ministry in assessing whether school divisions are appropriately identifying capital asset needs. Regular review of population statistics and trends would also provide some context to assist with anticipating future capital asset needs and risks across the provincial system. Without conducting its own reasonability analysis, the Ministry cannot know whether its list of identified capital asset needs across the provincial system is complete and accurate.

4. **We recommend that the Ministry of Education use accurate and complete capital asset information for each school division to determine overall current and long-term capital asset needs of the provincial Pre-Kindergarten to Grade 12 system.**

6.3 Additional Analysis Needed to Support Project Selection and Financing Decisions

6.3.1 Analysis of Non-Capital Alternatives Needed

We expected the Ministry would analyze the possible alternatives to address identified capital needs, including non-capital alternatives. The Ministry requires the school divisions to prepare feasibility studies for selected projects. School divisions hire professionals (e.g., architects) to prepare the studies and submit the resulting reports to the Ministry. These studies are adequate on a project-by-project basis to determine the most efficient capital solution for the identified need and the estimated cost. However, these feasibility studies assume that a capital project is required.

School divisions also need to analyze non-capital solutions to ensure that the most efficient solution is identified (e.g., busing students to a nearby school, sharing school facilities within and between school divisions, distance education). The Ministry does not request a full analysis of alternatives from school divisions, nor does it complete such an analysis itself. Therefore, the Ministry cannot assess if the school divisions' requests for capital funding are appropriate.

5. **We recommend that the Ministry of Education assess both capital and non-capital alternatives to address identified capital asset needs across the provincial Pre-Kindergarten to Grade 12 system.**

6.3.2 Projects Need to be Prioritized on a System-Wide Basis

The Ministry used the prioritization criteria in its Funding Guidelines to rank most capital projects submitted by school divisions. It used its Major Capital Request List to communicate the priority and status of those capital projects. However, as described earlier, the Ministry needs to:

- Use a capital asset strategy that coordinates overall system-wide capital needs
- Update its Funding Guidelines including its prioritization criteria
- Evaluate sufficient and appropriate information to identify capital asset needs
- Evaluate both capital and non-capital alternatives to address capital asset gaps

Until the Ministry addresses these deficiencies in its processes, it will not know if it is properly prioritizing capital projects to address needs across the provincial system.

In the past, school divisions may have decided to "self-fund" an entire capital project (e.g., use accumulated surpluses set aside for capital purposes or that are unrestricted). The Ministry approved these self-funded projects at the required stages (e.g., concept, design, construction). However, these capital projects were not prioritized using the Ministry's prioritization criteria and are not tracked in its Major Capital Request List. This may result in projects being completed in the province that would not have been carried out had they been appropriately prioritized by the Ministry using its prioritization process. While the Ministry did not fund these projects directly, it chose to allow projects to bypass its prioritization process. Effectively there are two systems for evaluating capital projects. The Ministry should evaluate all capital projects on the same basis. The Ministry should also track all capital projects to help it assess prioritization and risks for all capital projects over time. An example of a school division self-funding a capital project is described in **Figure 6**.

Figure 6—An Example of Self-Funding Options

We visited a school division that had capital projects receiving funding from the Ministry, but was also self funding some capital projects. The projects receiving Ministry funding were prioritized in the Ministry's Major Capital Request List. The self-funded projects were not prioritized in the Ministry's Major Capital Request List, although they received approval from the Ministry. The school division was able to assess which capital projects were likely to receive Ministry funding and request permission to self-fund other projects that were unlikely to receive Ministry funding. This enabled the school division to bypass the Ministry's prioritization process so it could carry out capital projects that were not a high priority to the provincial system.

Source: Provincial Auditor Saskatchewan (February 2013)

6. We recommend that the Ministry of Education consistently prioritize all capital projects across the provincial Pre-Kindergarten to Grade 12 system and track all capital projects of school divisions.

6.3.3 Assessment of Financing Alternatives Needed

The Ministry controls the financing alternatives available for capital projects in school divisions, all of which are ultimately funded by taxpayers. The alternatives include:

- Providing grants from the Ministry
- Increasing education property taxes based on mill rates set by the Ministry
- Initiating borrowing through the General Revenue Fund (GRF)
- Directing school divisions to borrow outside the GRF
- Providing Ministry approval for school divisions to use their surplus funds for "self-funded" major capital projects
- Using Private Public Partnerships

The Ministry has a policy that gives some guidance about financing. However, the policy does not require the Ministry to analyze the benefits and risks of these alternatives to make its capital financing decisions. The Ministry did not document its assessment of the alternatives to support its capital financing decisions for capital projects we reviewed.

When school divisions borrow money outside of the GRF to pay for their share of capital projects, they require the consent of the Ministry. School divisions must provide details about the loan before the Ministry will provide consent for the borrowing (e.g., interest rate, maturity date, monthly payment amount). School divisions may be subject to higher rates of interest than the GRF (particularly given the Province's current credit rating of AAA). Requiring school divisions to borrow outside the GRF can result in higher costs to taxpayers for school capital projects. **Figure 7** compares recent interest rates obtained by school divisions and the province.

Figure 7—An Example of Higher Interest Rates

Between October 2011 and February 2012, four school divisions borrowed a total of about $31 million from financial institutions to finance capital projects. The interest rates on these loans ranged from 3.89% to 4.52%. During this time period, the GRF borrowed at a rate of 3.40%, which was lower than the rates obtained by the school divisions. If the GRF had borrowed on behalf of the school divisions, it would have secured lower rates of interest for the school divisions' capital projects. For example, over the term of the school division loans, the estimated interest savings would have been about $3 million if the GRF rate of 3.40% had been secured. These savings could have been used to fund other priority school capital projects in the province. The Ministry did not document its analysis of the financing alternatives for the four school divisions' capital projects to support its decision to have the school divisions directly borrow the funds.

Source: Provincial Auditor Saskatchewan (April 2013)

7. We recommend that the Ministry of Education select the method of financing for capital projects of school divisions based on analysis of capital financing alternatives.

6.3.4 Accounting for School Division Capital Projects Needs to be Clear and Consistently Applied

The financing method selected by the Ministry affects how the Ministry and school divisions will account for capital projects. **Figure 8** outlines the likely accounting treatment for the Ministry (and GRF), the Summary Financial Statements, and school divisions for each financing alternative for capital projects in school divisions based on Canadian public sector accounting standards.

Figure 8—Likely Accounting Treatment for Financing Alternatives

Financing Alternatives for Capital Projects	Likely Accounting Treatment for Summary Financial Statements	Likely Accounting Treatment for Ministry (and GRF)	Likely Accounting Treatment for School Division
Grants from the Ministry	No direct impact	Expense	Revenue
Education property taxes based on mill rates set by the Ministry	Revenue	No direct impact	Revenue
Borrowing through the General Revenue Fund (GRF)	Liability	Liability and expense (where the Ministry provides the funds to repay the loan)	Liability (to GRF)
Borrowing directly by school divisions (with Ministry consent)	Liability	Liability and expense (where the Ministry provides the funds to repay the loan)	Liability (to financial institution) (An accounts receivable from Ministry and revenue may exist where Ministry provides funds to repay the loan)
Surplus funds of school divisions (Ministry approval required)	Reduction of accumulated surplus	No direct impact	Reduction of accumulated surplus
Private Public Partnership	Accounting would need to be assessed on a case by case basis		

Source: Provincial Auditor Saskatchewan (April 2013)

In our *2012 Report – Volume 1,* Chapter 5, we recommended that the Ministry of Education properly record capital grants to school division in its financial records. In 2011-2012, the Ministry had issued letters to four school divisions promising to fund their entire principal and interest payments for new external capital loans totalling $31 million until the loans were paid off. As such, the GRF financial statements for March 31, 2012 should have included an additional liability and expense of $31 million. In November 2012, the Ministry issued letters to these school divisions revoking its promise to fund their new debt. Instead, it indicated it will determine each year whether it will fund the annual payments on these loans. The intent of these letters appears to be to avoid having this new debt recorded in the GRF financial statements.

In accordance with Canadian public sector accounting standards, published by the Canadian Institute of Chartered Accountants, the substance of transactions is considered over the form of documentation they take. When we further reviewed the Ministry's funding to school divisions, we noted that in 2012-13 the Ministry is providing 17 school divisions with $13 million of funding; this represents principal and interest to service $70 million of debt to financial institutions.[11] Therefore, we think that an additional $39 million of debt should be recorded in the GRF. Given this transaction is between two government agencies, the total liability of school division debt is properly recorded in the Summary Financial Statements.

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[11] This excludes two capital loans the Ministry approved in December 2012 and January 2013 permitting two school divisions to borrow from financial institutions.

6.3.5 Co-Ownership Model for Schools affects GRF Accounting

In March 2013, the Ministry signed agreements with seven different school divisions for related capital asset projects that set out roles and responsibilities for each party during the construction and occupation phases of the capital project. The agreements cover matters such as ownership, insurance requirements, assessment of asset condition over time, and maintenance.

We note that this co-ownership model results in the converting of Ministry capital grants/transfers (i.e., expenses of the GRF) into tangible capital assets of the GRF. As such, decisions on which capital assets the Ministry chooses to own jointly with others provides another method that can be used to control the expenses of the GRF with no real change in the finances of the Government. We are concerned that the Government may be making decisions based on the financial implications for the GRF as opposed to the financial implications for the entire government. For further discussion see our *2013 Special Report – The Need to Change – Modernizing Government Budgeting and Financial Reporting in Saskatchewan*.

6.4 Success of Capital Asset Strategies Not Measured

We expected the Ministry to measure the success of its capital asset strategies. The Ministry's strategic plan for 2012-13 includes various performance measures. One measure the Ministry uses to monitor its capital asset strategies is the age of provincially-funded schools. As described earlier, the Ministry has not received adequate information for a significant number of the schools in the provincial system, so this measure cannot be effectively used to analyze success of its capital asset strategies.

The Ministry has begun to collect information about the condition of schools. This information is not used in the overall analysis of the Ministry's capital asset strategies.

The Ministry does not have adequate measures and targets to monitor the success of its capital asset strategies (e.g., analysis of utilization to assess whether schools were built in the right place at the right time, expected versus actual life-cycle costs, number of capital projects completed within budget, etc.). Without measures and targets to evaluate the success of its capital asset strategies, the Ministry cannot appropriately measure whether capital funding is effectively used. Performance measures can assist organizations in identifying strategies that are not effective to allow timely adjustments.

We expected the Ministry to evaluate the effectiveness of its capital asset planning processes. Program evaluation provides information to help improve programming, policies, and alignment with strategic objectives leading to achievement of planned outcomes and efficient use of resources. In **Section 6.1.1**, we reported the Ministry needs to review and update its Funding Guidelines to ensure that required schools are built in time to meet the evolving needs of communities.

8. We recommend that the Ministry of Education develop and implement measures and targets to monitor the success of its capital asset strategy across the provincial Pre-Kindergarten to Grade 12 system.

7.0 EXHIBITS

Enrolment is decreasing in ten school divisions, while it is increasing in 15 school divisions and static in two school divisions. There are currently 67 schools within 21 school divisions where the utilization rate exceeds 120%, and 67 schools within 16 school divisions where the utilization rate is less than 50%. The Ministry has the challenge of balancing the demand for new schools with the cost of maintaining safe and healthy schools, including those that are experiencing declining enrolment.

Exhibit 7.1—Summary of Capital Investment, Enrolment, and School Utilization by School Division*

School Division	2012 Student Enrolment (Note 3)	Purchase of Capital Assets (Note 1) (millions of dollars)	Ministry Capital Grants (Note 2) (millions of dollars	Change in Enrolment from 2010 to 2012 (unaudited) (Note 3)	% Change in Enrolment from 2010 to 2012 (unaudited) (Note 3)	Total # of Schools (unaudited) (Note 4)	Schools with Utilization Rate Greater than 120% (Note 4)	Schools with Utilization Rate Less than 50% (Note 4)
	As of September 30, 2012	From September 1, 2009 to August 31, 2012		Based on data as of September 30, 2010 to September 30, 2012		As of September 30, 2012		
Chinook	6,040	$ 29.57	$ 9.96	(96)	(1.56)%	30	1	9
Christ the Teacher RCS***	1,669	$ 1.24	$ 0.39	-	0.00%	8	-	1
Conseil des écoles fransaskoises	1,460	$ 22.61	$ 20.53	164	12.65%	14	3	2
Creighton	448	$ 0.84	$ 0.46	(33)	(6.86)%	1	1	-
Good Spirit	6,021	$ 17.00	$ 5.54	48	0.80%	28	3	3
Holy Family RCS	1,061	$ 6.14	$ 9.84	10	0.95%	5	-	-
Holy Trinity RCS	2,067	$ 5.06	$ 1.10	19	0.93%	9	5	-
Horizon	6,257	$ 13.50	$ 7.20	(223)	(3.44)%	40	1	11
Ile-A-La Crosse	389	$ 0.98	$ 0.11	3	0.78%	2	-	-
Light of Christ RCS	2,015	$ 0.91	$ 0.71	43	2.18%	7	1	-
Living Sky	5,482	$ 12.76	$ 1.47	-	0.00%	24	1	3
Lloydminster RCS	2,108	$ 16.08	$ 15.73	212	11.18%	5	3	-
Lloydminster Public	3,853	$ 8.56	$ 3.76	(34)	(0.87)%	9	4	-
North East	4,919	$ 22.71	$ 11.09	(215)	(4.19)%	21	1	1
Northern Lights	4,075	$ 33.86	$ 18.92	(29)	(0.71)%	19	2	4
Northwest	4,678	$ 14.34	$ 4.18	(57)	(1.20)%	23	-	2
Prairie South	6,522	$ 21.13	$ 6.12	(160)	(2.39)%	32	-	11

School Division	2012 Student Enrolment (Note 3)	Purchase of Capital Assets (Note 1) (millions of dollars)	Ministry Capital Grants (Note 2) (millions of dollars	Change in Enrolment from 2010 to 2012 (unaudited) (Note 3)	% Change in Enrolment from 2010 to 2012 (unaudited) (Note 3)	Total # of Schools (unaudited) (Note 4)	Schools with Utilization Rate Greater than 120% (Note 4)	Schools with Utilization Rate Less than 50% (Note 4)
	As of September 30, 2012	From September 1, 2009 to August 31, 2012		Based on data as of September 30, 2010 to September 30, 2012		As of September 30, 2012		
Prairie Spirit	9,883	$ 44.22	$ 26.87	365	3.83%	33	4	-
Prairie Valley	8,099	$ 48.09	$ 7.91	165	2.08%	36	1	4
Prince Albert RCS	2,957	$ 15.50	$ 6.19	27	0.92%	8	1	-
Regina	20,140	$ 67.72	$ 40.26	400	4.19%	50	7	-
Regina RCS**	9,946	$ 5.80	$ 0.61	359	1.81%	11	7	1
Saskatchewan Rivers	8,403	$ 15.36	$ 2.38	(314)	(3.60)%	30	2	1
Saskatoon	21,550	$ 51.91	$ 17.98	1,097	5.36%	52	5	3
South East Cornerstone	8,145	$ 47.39	$ 22.46	129	1.61%	38	2	5
St. Paul's RCS	15,670	$ 38.21	$ 32.41	1,053	7.20%	44	12	-
Sun West	4,495	$ 11.38	$ 2.91	(23)	(0.51)%	24	-	6
Total	**168,352**	**$ 572.84**	**$ 277.08**	**2,910**	**1.75%**	**603**	**67**	**67**

* Englefeld Protestant Separate School Division was not included in this analysis since it does not own any school buildings and does not receive Ministry capital funding

** Regina RC – There is no existing area data for 17 schools in this Division. Utilizations calculated for 11 schools only

*** RCS – Roman Catholic Separate

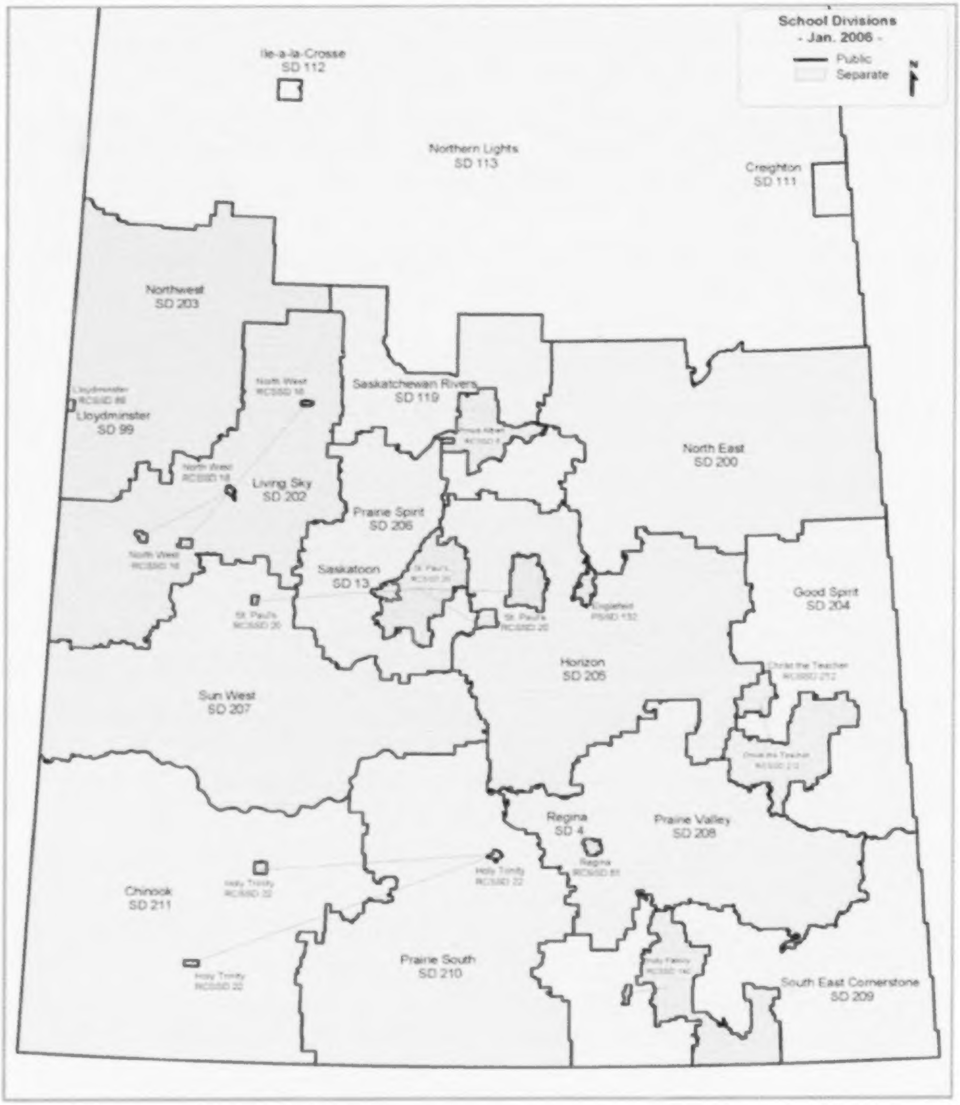
Note 1: Source: Audited financial statements – Cash used to acquire tangible capital assets.

Note 2: Source: Audited financial statements – Capital Grants Revenue provided by the Ministry of Education.

Note 3: Source: Provincial K-12 Student Enrolment Summaries obtained from www.education.gov.sk.ca/IEF/2012-provincial-k-12-enrolment (12 April 2013).

Note 4: Source: 2012 Active Capital School Utilizations calculated by the Ministry of Education (schools receiving capital asset funding). Schools with greater than 120% utilization are considered a higher priority to the Ministry. Schools with less than 50% utilization indicate significant excess capacity that may present opportunities to help alleviate overcrowding in other schools or to partner with others such as daycares.

Exhibit 7.2—Saskatchewan School Division Boundaries


School Divisions
- Jan. 2006 -
Public
Separate
N
Ile-a-la-Crosse
SD 112
Northern Lights
SD 113
Creighton
SD 111
Northwest
SD 203
Lloydminster
RCSSD 89
Lloydminster
SD 99
North West
RCSSD 16
Saskatchewan Rivers
SD 119
Prince Albert
RCSSD 6
North East
SD 200
North West
RCSSD 16
Living Sky
SD 202
Prairie Spirit
SD 206
North West
RCSSD 16
Saskatoon
SD 13
St. Paul's
RCSSD 20
St. Paul's
RCSSD 20
St. Paul's
RCSSD 20
Englefeld
PSSD 132
Good Spirit
SD 204
Horizon
SD 205
Christ the Teacher
RCSSD 212
Sun West
SD 207
Christ the Teacher
RCSSD 212
Regina
SD 4
Prairie Valley
SD 208
Regina
RCSSD 81
Holy Trinity
RCSSD 22
Holy Trinity
RCSSD 22
Chinook
SD 211
Holy Trinity
RCSSD 22
Prairie South
SD 210
Holy Family
RCSSD 140
South East Cornerstone
SD 209

Source: Saskatchewan School Boards Association (School Divisions Map).www.saskschoolboards.ca/index.php?id=school-divisions-divisions-map (12 April 2013)

Exhibit 7.3—Summary of School Division Capital Asset Planning Survey

	Survey Question *	No response	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	Total
1	The capital asset planning processes used by the Ministry for facilities to house and support educational programs and instructional services for students in Saskatchewan are effective.	10%	20%	35%	35%	0%	0%	100%
2	Your school division receives an adequate level of capital asset planning guidance from the Ministry of Education	10%	15%	40%	20%	15%	0%	100%
3	The Ministry clearly communicates how school divisions' capital asset projects will be funded.	10%	5%	30%	5%	40%	10%	100%

	Survey Question *	No response	Yes	No	Total
4	Does the Ministry provide your school division with guidance on how to inventory current capital assets (e.g., capacity, condition)?	20%	30%	50%	100%
5	Does the Ministry provide your school division with guidance on how to evaluate future capital asset needs (i.e., consideration of projected student enrolments, consultations with municipalities on expected growth, etc.)?	15%	20%	65%	100%
6	Does the Ministry require your school division to maintain a long term capital asset plan to ensure capital asset deficiencies (i.e., gaps) are properly identified and addressed?	10%	65%	25%	100%
7	Does the Ministry provide your school division with guidance on the analysis required to support capital asset funding requests (e.g., gap analysis to support capital needs, assessment of alternatives to meet needs, long-term implications such as operating and maintenance costs)?	10%	20%	70%	100%
8	Does your school division prepare a long-term capital asset plan?	10%	80%	10%	100%
9	Does your school division's long-term capital asset plan outline how construction of capital assets will be funded?	10%	20%	70%	100%

Source: Provincial Auditor Saskatchewan (February 2013)

* Englefeld Protestant Separate School Division was not included in this analysis since it does not own any school buildings and does not receive Ministry capital funding

8.0 SELECTED REFERENCES

Australian National Audit Office. (2006). *The management of infrastructure, plant and equipment assets*. Canberra: Author.

Australian National Audit Office. (2010). *Better practice guide on the strategic and operational management of assets by public sector entities*. Canberra: Author.

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Chapter 9
Finance—MIDAS Financials Annual Audit

1.0 MAIN POINTS

The Ministry of Finance (Finance) is responsible for administrating the financial system used primarily by ministries which serves as the general ledger for the General Revenue Fund. This financial system is called the Multi-Information Database Applications System – Financials (MIDAS Financials). Beginning in 2012, Finance created the Central Accounts Payable unit (Central AP). Central AP is responsible for processing invoices, expense claims, and auditing selective payments.

Each year, we assess whether Finance has effective central controls to manage and secure MIDAS Financials. In 2012, Finance had effective controls with one exception. Finance has not signed service level agreements with its user agencies; therefore, responsibilities for key payment processing activities were not clearly assigned.

2.0 INTRODUCTION

MIDAS Financials is used to record and account for financial activities. MIDAS Financials includes modules for general ledger, cash management, accounts payable, accounts receivable, purchasing (including tender management, requisitions, and receiving), payments, public sector forecasting, capital assets, and inventory.

Beginning in 2012, Finance created a centralized group called the Central Accounts Payable unit. The responsibilities of the Central Accounts Payable unit include processing invoices, expense claims, and other requests for payments; reviewing and auditing selective payments (risk-based approach); and filing and managing AP documentation for ministries.

Over 30 government agencies use MIDAS Financials to process and record transactions and issue payments (user agencies). Finance performs central controls to protect the confidentiality, availability, and integrity of MIDAS Financials and its information on behalf of these agencies. These agencies rely on Finance to have effective controls to manage and secure MIDAS Financials and its information.

For 2012-13, MIDAS Financials forecasts to record over $11.1 billion in operating expense transactions and $255.3 million in capital transfers.[1]

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of Finance's central controls to manage and secure the MIDAS Financials system and data for the eleven-month period[2] ending December 31, 2012. The audit did not assess the effectiveness of the controls at user agencies (e.g., ministries). Rather, it focused on the central controls at Finance.

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[1] Forecast of operating expense and capital transfers taken from Saskatchewan Provincial Budget 13-14.

[2] MIDAS Financials underwent a significant upgrade in December 2011; therefore, our previous audit covered the period ended January 31, 2012.

User agencies rely on Finance to have effective central controls and carry them out properly. We carry out this audit annually to support our audits of various user agencies.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate Finance's processes, we used audit criteria based on the *Trust Services Principles, Criteria, and Illustrations* authored by the Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants, as well as international standards, literature, and reports of other legislative auditors. Finance agreed with the criteria (see **Figure 1**).

We based our findings on our examination of Finance's agreements, plans, reports, policies, and processes. We also interviewed Finance staff and examined Finance's controls to secure MIDAS Financials.

Figure 1—Audit Criteria

Effective central controls to manage and secure MIDAS Financials systems and data should include control processes that:

1. **Monitor systems and data centrally**
    - 1.1 Responsibilities are clearly defined
    - 1.2 Management has approved policies and procedures
    - 1.3 Management monitors security and system operating as planned
2. **Protect systems and data from unauthorized access**
    - 2.1 User access controls protect the system from unauthorized access
    - 2.2 Physical security controls protect the system from unauthorized access
3. **Make systems and data available for operation**
    - 3.1 System and data backups occur and are tested
    - 3.2 Disaster recovery plans are in place and tested
4. **Maintain the integrity of systems and data**
    - 4.1 Processes to manage the system and data exist and are followed
    - 4.2 Change management processes exist and are followed

We concluded that, for the 11-month period ended December 31, 2012, the Ministry of Finance had effective central controls to manage and secure MIDAS Financials except for assigning roles and responsibilities for payment processing in service level agreements with user agencies (e.g., ministries).

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria in **Figure 1.**

4.1 Need to Assign Roles and Responsibilities for Payment Processing

During 2012, Finance created a centralized unit for payment processing called Central Accounts Payable (Central AP). Central AP undertakes certain responsibilities previously performed at certain user agencies (e.g., ministries). For example, Central AP responsibilities include processing invoices, expense claims, and other requests for payments; reviewing and auditing selective payments (using a risk-based approach); and preparing and generating accounts payable reports.

As of December 31, 2012, service level agreements (SLAs) between Finance and user agencies did not exist. Without signed SLAs, Finance and user agencies have not formally assigned and may not understand their respective responsibilities for key payment processing activities.

1. **We recommend the Ministry of Finance establish service level agreements with user agencies to clearly assign responsibilities for key payment processing activities.**

Subsequent to our audit, Finance provided us with a draft memorandum of understanding (MOU) that it plans to sign with user agencies. In April 2013, Finance indicated that it had signed MOUs with all of the ministries.

4.2 User Access Removal Now Timely

We recommended that the Ministry of Finance implement a policy for the timely removal of user access upon receipt of requests for removal from user agencies. (2012 Report – Volume 1)

Status – Implemented

During our audit period, Finance implemented a policy that outlines the process to remove MIDAS Financials user access upon Finance's receipt of removal requests from user agencies. The policy requires timely removal of user access. The policy requires Finance to remove MIDAS Financials user responsibilities within 24 hours of receipt of removal requests for users who can change data, and within 48 hours of receipt of removal requests for users who can only look at data, not change it. We found Finance complied with this policy during our audit period.

5.0 SELECTED REFERENCES

Canadian Institute of Chartered Accountants (CICA) and the American Institute of Certified Public Accountants (AICPA). (2009). *Trust Services, Principles, Criteria, and Illustrations.* Toronto: Author.

International Organization for Standardization. (2005). ISO/IEC 27002:2005(E). *Information technology - Code of practice for information security management; 2nd Edition.* Geneva: Author.

Chapter 10
Identification and Management of Contaminated Sites

1.0 MAIN POINTS

Contamination can pose risks to public health and safety. Where the provincial government has caused contamination or has accepted responsibility for the cleanup of contaminants, it must assess the contamination to know and understand what public health and safety risks exist and decide on actions to address or mitigate those risks. This information takes time and resources to gather and analyze.

New Canadian public accounting standards, coming into effect April 1, 2014, will require the Government to account for and report the expected costs to clean up contaminated sites. Recording these costs will let the public know what future resources will be necessary for cleanup.

To assess the readiness of the Government in adopting this upcoming accounting standard, we audited whether the Government effectively identified and managed contaminated sites. We focused on ministries and Treasury Board Crown agencies (like school divisions) at risk of being responsible for cleaning up contaminated sites. Seventeen agencies indicated that they are at risk of being responsible for cleaning up contaminated sites (at-risk agencies). At March 2013, ten at-risk agencies had identified over 300 sites with suspected or known contamination with four ministries being responsible for most of those sites.

We concluded that, at March 2013, the Government had not effectively identified or managed contaminated sites. Overall, at March 2013, the provincial government is in the early stages of its work to identify and manage contaminated sites. Eleven of the 17 at-risk agencies acknowledged that they did not have a complete list of all suspected and known sites. For many of the sites they had identified, they had not yet completely assessed the degree of contamination and the public health and safety risks these sites pose. They have not made decisions on the cleanup of many identified sites.

Without a complete list of sites and confirmation of the degree of contamination at identified sites, the provincial government does not know what public health and safety risks the contamination poses and cannot determine what cleanup or risk-management activities (e.g., fencing sites to restrict access) are necessary. Also, it does not know what future resources will be necessary for cleanup.

The Ministry of Finance must ensure agencies gather the key information and make the necessary decisions in sufficient time so that it can record the costs that the provincial government expects to pay for cleanup costs in the Government's 2014-15 Budget and final year-end financial statements. Complete and accurate financial reporting of the Government's liabilities for contaminated sites is important to reflect the full amount of future public resources required for cleanup.

We make four new recommendations and note that two recommendations, previously addressed to the Ministry of Environment that relate to this audit, have not been fully implemented.

2.0 INTRODUCTION

Under *The Environmental Management and Protection Act, 2002* and related regulations, the Ministry of Environment (Environment) is responsible for regulating activities that impact the environment. Specifically, it is responsible for controlling how best to manage environmentally-impacted sites. Under *The Financial Administration Act, 1993*, Treasury Board is responsible for the provincial government's management practices and systems including accounting policies and the Ministry of Finance (Finance) is responsible for ensuring compliance with Treasury Board orders and directives.[1]

This chapter examines the readiness of government agencies to identify and manage contaminated sites. Canadian public sector accounting requirements that come into effect April 1, 2014 provide governments with guidance on accounting for and reporting their obligations related to the cleanup of contaminated sites. Government agencies must operate responsibly to protect the environment. Environmental laws make the provincial government responsible for managing contamination that it has caused or for which it has assumed responsibility. Where the existence of a government's obligation to clean up a site is known and determinable, a government must account for the associated costs in its financial statements.[2] Costs associated with cleaning up contamination could be significant.

Contamination can pose risks to public health and safety. Where the provincial government has caused contamination or has accepted responsibility for the cleanup of contaminants,[3] it must assess the contamination to know and understand what public health and safety risks exist and decide on actions to address or mitigate those risks. This information takes time and resources to gather and analyze.

Accounting for cleanup costs related to contaminated sites is dependent on the provincial government and agencies taking the necessary steps to gather key information and make decisions about what they will clean up and when. Only with systems to identify and manage contaminated sites can the provincial government successfully implement the new accounting requirements; only then will the public know the complete costs to clean up contaminated sites.

3.0 UNDERSTANDING LAWS RELATED TO CLEANING UP CONTAMINATION

Clean air to breathe, clean water to drink, and clean land to support the people of Saskatchewan are building blocks to a healthy province. Uncontaminated land and water are essential for human health and safe food production. Failure to identify and manage contaminated sites increases the likelihood of adverse effects occurring due to contamination. This could result in valuable Crown land being no longer productive and unnecessary future costs for taxpayers.

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[1] Section 4 of *The Financial Administration Act, 1993*.

[2] Related public sector accounting standards include PS 3200 Liabilities, PS 3300 – Contingent Liabilities, and PS3270 – Solid Waste Landfill Closure and Post Closure Liability.

[3] Contaminants are any physical, chemical, biological, or radiological substance in air, soil, water, or sediment that is foreign to or in excess of the natural environment that is causing or may cause an adverse effect.

Environmental laws help protect our environment. Environmental laws also help guide individuals and companies to determine whether contamination has occurred and assign responsibility for cleanup. When the provincial government is the polluter, it is subject to the same environmental laws as individuals and private sector companies. Environmental laws related to contaminated sites address the following areas (see **Exhibit 7.1** for discussion of each of these areas):

- Who sets environmental standards?
- Who decides what a contaminant is?
- What is a contaminated site?
- What is the duty to report?
- When is an environmental site assessment required or used?
- When is cleanup (remediation) required by law?
- Who pays for the costs of cleanup?

4.0 READINESS FOR UPCOMING CHANGE TO ACCOUNTING REQUIREMENTS NEEDED

As previously noted, a new Canadian public sector accounting standard is coming into effect April 1, 2014 (less than a year away). This standard requires governments to account for liabilities for contaminated sites; that is, to record expected costs to clean up sites where contaminants exceed an environmental standard.[4] These would include costs to clean up petroleum spills on Crown land and leachate[5] that has contaminated ground water.

Under *The Financial Administration Act, 1993*, Finance is responsible for preparing the financial statements of the provincial government (Summary Financial Statements). These statements consolidate the financial activities of all government agencies (e.g., ministries, school divisions, regional health authorities, and Crown corporations).

Initially, we had intended to look at the entire readiness process (e.g., identification of sites, development of cleanup plans, and quantification of the related liabilities). However, in March 2013, officials from Finance advised us that Finance is working with ministries towards the implementation of the new accounting requirements. It noted that ministries were still developing processes to estimate and publicly report liabilities for contaminated sites. Also, Finance noted that it plans to remind the Treasury Board Crown agencies that will be impacted by this new standard (e.g., school divisions) of the new requirements. Based on this information, we agreed to defer the audit work on the quantification of the liability.

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[4] The Public Sector Accounting Board issued a new accounting standard called *PS3260 – Liability for Contaminated Sites* in June 2010. Under this new standard, governments are required to recognize in their financial statements liabilities its planned remediation of contaminated sites when an environmental standard exists, contamination exceeds the environmental standard, the government is either directly responsible or accepts responsibility for the costs of remediation, it is expected future economic benefits will be given up, and a reasonable estimate of the amount can be made.

[5] Leachate is any liquid that, in passing through matter, extracts solutes, suspended solids or any other component of the material through which it has passed.

To quantify cleanup costs for contaminated sites, government agencies responsible for cleanup will need to gather information by completing the following steps:

- Identify sites with suspected or known contamination.
- Complete a preliminary assessment of the site (e.g., Phase 1 environmental site assessment [ESA]) to determine whether significant environmental concerns exist and whether a detailed site assessment (e.g., Phase 2 ESA) is needed.
- Based on results of the Phase 1 ESA, complete a Phase 2 ESA to confirm and quantify the degree of contamination.
- Using results of Phase 2 ESAs, develop a cleanup plan that sets out activities necessary to address the public health and safety risks. Activities may include bringing the site up to the related environmental standard, restricting access to the site, and/or changing the usage of the land, isolating the contaminants, etc. The plan would also identify necessary ongoing maintenance or monitoring activities, set out when the related activities are to occur, and how to complete the activities.
- Obtain the necessary approval of the cleanup plan from the relevant environmental authority.
- Estimate the costs of the activities set out in the cleanup plan. This estimate would be updated at each financial reporting date based on information available at that date (e.g., reflect changes in planned activities or in expected costs of those activities).

To record the provincial government's liability for contaminated sites, Finance will need to know that all agencies have gathered the information necessary to quantify cleanup costs of contaminated sites or have plans to do so before April 1, 2014. Given the new standard comes into effect within less than a year, agencies need to factor the costs of implementing this new standard into their current budgets. This would include the costs associated with completing the necessary steps. Unless agencies complete the steps, Finance will not have the information to prepare accurate Summary Financial Statements and the public will not know the complete cleanup costs of contaminated sites for which the provincial government is responsible.

The Financial Administration Manual (FAM) sets out Treasury Board policies and related guidance that Treasury Board Crown agencies[6] must follow. At March 2013, FAM does not yet provide agencies with guidance on recording liabilities for contaminated sites.

1. **We recommend that the Ministry of Finance set out guidance in the Financial Administration Manual for recording liabilities of contaminated sites to enable complete reporting in the Government's 2014-15 Budget and Summary Financial Statements.**

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[6] Treasury Board Crown agencies are those agencies responsible to Treasury Board.

5.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, SURVEY APPROACH, AND CONCLUSION

5.1 Audit Objective, Scope, and Criteria

The objective of this audit was to assess whether, as of March 31, 2013, the provincial government of Saskatchewan effectively identifies and manages contaminated sites.

For the purposes of this audit, a contaminated site is an area of land or water that contains a substance that may cause or is causing an adverse effect in a concentration that exceeds an environmental standard.[7] A contaminated site may not include a site requiring reclamation[8] or decommissioning[9] (e.g., abandoned oil wells).

We focused our audit work on the ministries and Treasury Board Crown agencies (collectively referred to as government agencies in this report) with known or suspected contaminated sites. Treasury Board Crown agencies are those agencies responsible to Treasury Board (i.e., school divisions, regional health authorities, and other Crown agencies such as Saskatchewan Housing Corporation and Saskatchewan Water Security Agency).

This audit excluded sites and cleanup costs that are the responsibility of Crown Investments Corporation of Saskatchewan (e.g., SaskPower).

In March 2013, we surveyed selected government agencies to gain an understanding of their identification and management of contaminated sites. We examined policies and procedures, manuals, reports, and environmental site assessments of agencies, and interviewed officials of those agencies. To further corroborate information, we looked for consistency with information obtained from our annual integrated audits of those agencies. We further supplemented our audit work by examining certain policies and agreements of agencies that did not respond to our survey and which we had assessed as having some risk of being responsible for contaminated sites.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate the provincial government's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. The Government, as represented by the Ministry of Environment, agreed with the criteria (see **Figure 1**).

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[7] *The Environmental Management and Protection Act, 2002*, section 11.

[8] Reclamation is the act of restoring lands to their original state or agreed-upon alternate state includes actions or activities undertaken to stop or reverse damage to the environment.

[9] Decommissioning is the act of shutting down a facility or removing it from service or use.

Figure 1—Audit Criteria

Effectively identifying and managing contaminated sites includes:

1. **Identifying contaminated sites**
    - 1.1 Assigning responsibility for identifying and managing the cleanup of sites to qualified and appropriately-trained staff
    - 1.2 Maintaining written government-wide policies and related procedures (e.g., identify sites, prioritize cleanup activities, and account for future cleanup costs)
    - 1.3 Systematically identifying potentially contaminated sites including the determination of the Government's responsibility for site cleanup
2. **Maintaining appropriate information to develop site cleanup plans**
    - 2.1 Tracking all sites at risk of contamination
    - 2.2 Routinely assessing environmental damage at potential sites
    - 2.3 Developing and maintaining site cleanup action plans and strategies
    - 2.4 Maintaining reliable information about site (e.g., contamination, status of cleanup activities)

5.2 Survey Approach

We surveyed 73 government agencies with a risk of being responsible for cleaning up contaminated sites. We aligned our survey questions with our criteria in **Figure 1**. See **Exhibit 7.5** for the survey questions. In the survey, we asked government agencies to indicate whether there was more than a negligible risk of their being responsible for environmental cleanup costs. If they indicated yes, we asked them additional questions, in Parts II to IV, about the processes they used to identify and assess contaminated sites, develop and document cleanup plans, and estimate and account for cleanup costs.

Exhibit 7.3 lists the agencies that we surveyed and indicates which agencies responded. As shown in **Figure 2,** 44 government agencies responded to our survey (i.e., 60% response rate).

Figure 2—Survey Response Rate and Number of Government Agencies at Risk of Being Responsible for Cleanup Costs

	Survey Distributed/ Completed	Number of Agencies that Identified Risk of Being Responsible for Cleanup Costs
Number of Surveys Distributed	73	-
Number of Surveys Completed	44	17
Rate	60%	39%

Source: Compiled from Provincial Auditor of Saskatchewan Survey Results (March 2013)

As shown in **Figure 3**, seventeen agencies identified that they were at risk of being responsible for cleanup costs because of suspected or known contamination (i.e., 39%). In this report, we refer to these 17 agencies as "at-risk agencies." Seven of the 17 at-risk agencies, while they were at risk of having contaminated sites, had not yet identified such sites at March 2013 or had cleaned up previously identified sites. The remaining ten at-risk agencies identified 309 sites with either suspected or known contamination. Contamination included asbestos,[10] fuel, excessive salt, creosote, and contaminants resulting from mining activities. Four at-risk agencies are responsible for 227 of the 309 sites; these four agencies are the ministries of Central Services (seven sites), Economy

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[10] Buildings or facilities with asbestos do not classify as "contaminated sites" under environmental laws.

(37 sites), Environment (four sites), and Highways and Infrastructure (Highways) (179 sites).

Figure 3—Survey Results – At-risk Agencies, Completeness of their Listing of Sites, Number of Sites They Identified, and Their Progress on Obtaining Detailed ESAs

Agencies with Risk of Contamination (At-risk Agencies)	Completeness of Agency's Listing of Sites	Number of Sites with Suspected or Known Contamination	Estimated Percentage of Site Assessments Completed for Identified Sites
Ministries			
Ministry of Central Services	Partially complete	7	80%
Ministry of Economy	Partially complete	37	50%
Ministry of Environment	Partially complete	4	10%
Ministry of Highways and Infrastructure	**Complete**	179	96%
Ministry of Justice	Not complete	-	n/a
Ministry of Social Services (including Saskatchewan Housing Corporation)	**Complete**	1	**100%**
Other Crown Agencies			
Saskatchewan Institute of Applied Science and Technology	**Complete**	5	**100%**
Saskatchewan Liquor and Gaming Authority	Partially complete	68*	86%
Water Security Agency	**Complete**	-	n/a
School Divisions			
Chinook	**Complete**	2	80%
Ile-a-la Crosse	Partially complete	2	1%
Living Sky	Not complete	-	n/a
NorthEast	Not complete	-	n/a
NorthWest	Partially complete	-	n/a
Prairie Spirit	Not complete	4	5%
Prairie Valley	Not complete	-	n/a
Regional Health Authorities			
Heartland	**Complete**	-	n/a
Total # of At-risk Agencies: 17		**309**	

Source: Compiled from Provincial Auditor of Saskatchewan Survey Results (March 2013)

* These sites would not meet the definition of "contaminated sites".

5.3 Audit Conclusion

We concluded that, as of March 31, 2013, the provincial government has not effectively identified and managed all contaminated sites under the responsibility of ministries and Treasury Board Crown agencies.

Normally, changes to accounting requirements do not necessitate significant improvements in operations. However, so that the provincial government is ready to meet the upcoming accounting requirement to record its liabilities for contaminated sites, changes in operations are needed.

Overall, at March 2013, the provincial government is in the early stages of its work to identify and manage contaminated sites. Many government agencies did not have a complete list of all suspected and known sites, did not fully know what public health and safety risks these sites pose, and had not made decisions on the cleanup of all identified sites. The Ministry of Finance needs this key information so that it can appropriately determine the amounts that the provincial government expects to pay for cleanup costs and record these costs in the provincial government's 2014-15 Budget and final year-end financial statements. Complete and accurate financial reporting of the provincial government's liabilities for contaminated sites is important to reflect the full amount of future public resources required for cleanup.

Sections 4.0 and **6.0** include four new recommendations for operational improvements and an update on the status of two related recommendations that we made to the Ministry of Environment in 2008.

6.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our expectations (in italics), key findings, and recommendations related to the audit criteria in **Figure 1**.

6.1 Identifying Contaminated Sites

6.1.1 Responsibility Assigned to Qualified Personnel but Agency Policies Incomplete

Qualified Personnel in Place

We expected that at-risk agencies would assign responsibility for identifying and managing contaminated sites to qualified and appropriately trained staff. Assigned persons would have at least basic knowledge of environmental laws with a background and training that would provide at least basic related technical expertise (e.g., *professional engineer or professional geoscientist, licensed agrologist, licensed biologists, licenced chemist).*[11]

In our survey, 17 government agencies indicated that they had a risk of being responsible for contaminated sites (at-risk agencies). Ten of these at-risk agencies indicated they had assigned specific personnel to be responsible for managing contaminated or potentially-contaminated sites. Agencies with specific assigned personnel were those with many known or suspected contaminated sites (e.g., ministries of Highways and Central Services). We found these agencies assigned responsibility to staff with appropriate qualifications (e.g., an engineer). The remaining seven agencies engaged outside experts (e.g., environmental engineers) to help them assess suspected or known contamination. In most cases, the contamination at those seven agencies was the result of fuel spills. All agencies engaged outside experts to carry out detailed environmental site assessments (Phase 2 ESAs) and to make recommendations on cleanup activities.

Government Agencies Lack Policies for Prioritizing the Completion of Detailed ESAs

We expected at-risk agencies would have policies and procedures for identifying and managing contaminated sites on government-owned lands specific to the nature of their operations. Agency policies and procedures would align with environmental policies and relevant legislation.

In our survey, 7 of the 17 at-risk agencies (i.e., 41%) indicated that their agency had documented policies and procedures to guide the identification of sites potentially exposed to contaminants. Six agencies said they had policies and processes to manage sites; one agency said it had an environmental liability accounting policy.

We found these policies and procedures focused on human safety. The policies and procedures of some agencies provided good linkage to relevant legislation and set competency requirements for individuals used to carry out ESAs. In one case, the guidance included when a Phase 1 ESA should be completed. Also, two agencies that manage a significant number of buildings had policies to actively inspect their buildings for contamination. These two agencies also had policies to ensure properties purchased/sold were not contaminated.

Government agencies used their normal purchasing policies when hiring experts to complete ESAs or to make recommendations on cleanup activities.

The policies of at-risk agencies did not include guidance on when to carry out Phase 2 ESAs on sites with potential public health and safety concerns or when to clean up such sites. Also, their policies did not include guidance on managing sites where the contamination did not impose an immediate health or safety risk but where future cleanup may be required. Agencies noted that they relied on direction from Environment as to when to clean up sites with public health and safety concerns.

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[11] In January 2012, the Government released the Saskatchewan Environmental Code (draft Code) for public comment. The draft Code sets out required qualifications for persons involved in the delivery of environmental protection and related services (i.e., qualified persons). The draft Code notes that the use of qualified persons helps streamline low-risk activities and leads to enhanced environmental protection. While these draft requirements are not yet directly relevant to those assigned to administer the identification and management of contaminated sites within government agencies, they provide a useful source of reference.

See **Section 6.1.3** for discussion of proposed environmental laws that will help ensure government agencies take consistent actions on all contaminated sites for which the provincial government is responsible for cleanup.

6.1.2 Not All Suspected Contaminated Sites Identified and Contamination Not Always Confirmed Promptly

We expected at-risk agencies would have processes to track when staff or other individuals report suspected contamination or events that may lead to contamination. Agencies would report to the appropriate authority suspected or known contamination as required by law and take steps to assess the nature and degree of suspected contamination and determine the extent of the provincial government's responsibility for site cleanup.

Not All Suspected Contaminated Sites Identified

In our survey, 13 of the 17 at-risk agencies indicated that they considered the risk of contamination on property used, leased, or owned on an ongoing basis as an integral part of their operations. Since the risk of contamination only resulted from specific events (e.g., fuel spills) for the remaining four agencies, they did not actively consider risk of contamination. Our additional work corroborated the survey results.

At-risk agencies relied on staff to report known or suspected contamination (e.g., reports from inspections of buildings or facilities). We found agency staff were knowledgeable about how to identify a contaminated site and seemed alert to situations that may cause potential contamination. Agency staff were also aware of when and how to report contamination to the appropriate authority (e.g., Ministry of Environment). We found that agency staff appropriately reported suspected or known contamination to Environment.

Five agencies that administer significant amounts of Crown land considered both the risk of Crown land being contaminated, as well as the potential liability resulting from contamination of adjacent land.

Two agencies that leased Crown land to petroleum producers recognized that the operations of petroleum producers posed an increased risk of contamination (e.g., oil contamination). Their written agreements with producers (lessees) were consistent with the "polluter pays" principle. These agreements included provisions where the lessees are to take responsibility for all claims or demands resulting from their occupancy and use of the property including cleanup costs. These two agencies were aware lessees were responsible, under law, for reporting to them any discharge of substances that has caused or may cause damage to the environment. They relied on this reporting to become aware of suspected or known contamination on leased Crown lands. Neither agency was aware of any instances where they have had to pay for cleanup costs for damage caused by their lessees.

At March 2013, most of the 17 at-risk agencies had not identified **all** suspected sites (see **Figure 3**).

- Six agencies indicated that they had a complete list of suspected and known contaminated sites (35%)

- Six agencies indicated they had a partial list (35%)
- Five agencies either did not have a list or were unsure (Not complete) (30%)

Those agencies with partial or incomplete lists generally knew what they needed to do to identify sites with contamination but for varying reasons had not yet done so. Some indicated that they were awaiting up-to-date information from their staff (e.g., results of inspections of sites) or from other ministries using the Crown lands; others cited lack of resources to carry out the site assessments.

To facilitate the quantification of the provincial government's liability for contaminated sites, these agencies need to identify **all** suspected contaminated sites and assess them before Finance prepares the provincial government's financial statements. Finance needs to set deadlines for when agencies must complete this work. See **Recommendation 1**.

Degree of Suspected Contamination Not Always Confirmed Promptly

ESAs are done to determine the degree of contamination and the extent of risks to public health and safety. ESAs determine the site condition including assessing whether contamination has occurred. They identify specific environmental risks that the identified contamination poses, and recommend cleanup activities.

13 of the 17 at-risk agencies indicated that they had not yet obtained or completed ESAs on identified sites with suspected or known contamination (see **Figure 3**).

- Three agencies (including one agency with no sites identified at the time of the survey) indicated that all sites had been assessed
- Eight agencies indicated some sites were assessed (the extent of percentage of sites assessed ranged from 5% to 96%, and four of the agencies in this category each had a significant number of sites)
- One agency indicated that its completed assessments were based on a sample of similar sites (leakage from heating fuel tanks)
- Five agencies indicated either no sites had been assessed or they were unsure (these agencies had not identified any sites at the time of the survey)

As shown in **Figure 4**, at March 2013, at-risk agencies had classified only 13 out of the 309 sites as requiring cleanup plans (i.e., classified as Class 1 or 2) based on the national classification system (NCS); NCS conveys the degree of contamination. To confirm the accuracy of the survey responses, we compared the classification of sites classed as Class 1 or 2 to the supporting documents (e.g., phase 2 ESAs or information in Environment's files).

At-risk agencies classified 51 of the 309 sites as not having high concerns for public health or safety although cleanup action may be required (16%). They classified the remaining sites as probably not having significant environmental impacts (79%).

Figure 4—Survey Results for Site by Category Based on Site Assessment[12]

Nature of Site	Number of Sites Identified	Percentage of Total Sites Identified (%)
Class 1 – ESA indicated action is required to address existing concerns for public health and safety	9	3
Class 2 – ESA indicated that action is likely required to address existing concerns for public health	4	2
Class 3 – ESA indicated that site is not a high concern, but action may be required	51	16
Class N – ESA indicated that there is probably no significant environmental impact nor human health threats	244	79
Class INS – ESA has been performed but there is insufficient information to classify the site	1	-
Total	**309**	**100**

Source: Compiled from Provincial Auditor of Saskatchewan Survey Results (March 2013)

When we looked to see if at-risk agencies obtained Phase 2 ESAs identified as necessary in their preliminary site assessments, we found that many agencies had not obtained all of the Phase 2 ESAs or the Phase 2 ESAs were incomplete.

Phase 2 ESAs are necessary to determine whether suspected or identified contaminated sites pose a public health and safety risk. Delays in completion of Phase 2 ESAs may result in the provincial government not addressing unidentified public health and safety risk within a reasonable time. See **Section 6.2.2** for further discussion on the need for timely detailed site assessments.

6.1.3 Proposed Provincial Environmental Laws is Intended to Provide Greater Direction for Assessing Contamination and Managing Sites

We expected the provincial government would maintain policies and related procedures in the following areas: identifying sites, prioritizing detailed site assessments classifying sites, deciding on cleanup activities, and tracking and accounting for costs associated with cleanup.

Although under *The Environmental Management and Protection Act, 2002* (Act), the provincial Minister of Environment may coordinate policies and programs of government agencies respecting the management, protection and use of the environment, it did not. Rather, Environment treated government agencies the same as other entities that it regulates. It expected government agencies to use environmental legislation and guidance available on its website.[13] It also expected government agencies to seek the advice of its Environmental Protection Branch staff who enforce the legislation.[14]

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[12] Even though we had indicated that asbestos within buildings was not in the scope of the survey, some survey respondents included buildings with asbestos as contaminated sites.

We found the provincial environmental laws and Environment's related guidance about identification of suspected or known contamination useful and relevant to government agencies. However, provincial environmental laws and/or related guidance did not clearly:

- Set out the appropriateness of a sampling site assessment approach used by a government agency[15]
- Require the use of a consistent system to classify the degree of contamination (e.g., NCS)
- Set expected timeframes for developing cleanup plans where action is needed to address public health and/or safety concerns
- Define what information about the contaminated site should be tracked

We note that the unproclaimed *The Environmental Management and Protection Act, 2010*[16] and the draft Environmental Code (proposed environmental laws) include requirements to address each of the above areas. At March 2013, *The Environmental Management and Protection Act, 2010* was not yet proclaimed and the Code was not yet in effect. For example, the proposed environmental laws will require site assessments of all suspected or known contaminated sites, the use of NCS, the reporting of the sites' NCS ratings within 30 days of the completion of site assessments, and the preparation of cleanup plans within six months after site assessments.[17]

As the regulator, Environment has a vested interest in making certain that at-risk agencies understand their responsibilities and obligations under the proposed environmental laws so that they can fulfill them.

2. **We recommend that the Ministry of Environment take steps to make government agencies fully aware of their responsibilities under the proposed *The Environmental Management and Protection Act, 2010* and the related Environmental Code.**

Assessment of the degree of contamination and the subsequent development of cleanup plans takes time and resources often requiring the hiring of expertise outside of the Government. Under the proposed environmental laws, at-risk agencies will be required to classify their sites using the NSC classification. Use of the NSC classification would facilitate consistent ranking, across the Government, of public health and safety risks posed by sites for which the provincial government is responsible for cleanup. Treasury Board in its budget allocation process must decide which sites to clean up. Use of consistent cross-government ranking is essential so that the provincial government focuses its attention and resources on the sites that pose higher risks.

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[13] www.saskspills.ca and www.environment.gov.sk.ca (14 April 2013).

[14] The Ministry of Environment website provides factsheets that outline the legislation in place. It includes information that explains environmental assessment processes, sets out what may constitute a contamination event (e.g., spills), and explains how to report spills.

[15] We noted that one school division had assessed a sample of sites suspected of heating fuel contamination instead of assessing each site individually. Ministries with multiple sites expressed interest in using a similar sampling approach citing such an approach would result in cost-effective site assessments.

[16] This legislation received royal assent on May 20, 2010, but has not yet been proclaimed.

[17] Also, *The Environmental Management and Protection Act, 2010* will require the submission of corrective action plans within six months of the completed site assessment or period set by the Minister of Environment (section 14).

3. **We recommend that Treasury Board require government agencies, when requesting funds for cleanup activities, to use the National Classification System endorsed by the Canadian Council of Ministers of Environment to prioritize cleanup activities where the provincial government is responsible for cleaning up contaminated sites.**

Also, government-wide policies would identify information necessary for budgeting and recording the costs associated with cleanup. Without this information, the provincial government is at risk of not being able to manage the risks associated with contamination and of significantly understating its financial obligations related to cleaning up these sites.

4. **We recommend that the Ministry of Finance set out its information requirements for accounting for costs (budget and actual) associated with the cleanup of contaminated sites.**

6.2 Cleanup Plans Not Yet Developed

6.2.1 Site Classification Information Not Always Tracked

We expected that at-risk agencies would track key information about sites with suspected and/or known contamination and ensure tracked information is complete and accurate. Tracked information would include at least the following: location of the site, general condition of the site, nature of contamination, degree of contamination (based on formal ESAs), phase and date of last site visit/assessment, and linkage to information submitted to regulatory authorities (e.g., indication as to whether site was designated as contaminated, status of cleanup plans). Agencies would use the NCS endorsed by the CCME to describe the degree of contamination (site classification, see ***Exhibit 7.4****).*

At March 2013, at-risk agencies need to have their own tracking systems. As noted in **Section 6.2.4**, Environment does not maintain a comprehensive listing of contaminated sites.[18] Because current provincial legislation does not require detailed site assessments to be submitted to Environment unless they are in relation to a spill or storage facility decommissioning, Environment is not aware of all identified contaminated sites for which the provincial government is responsible for cleanup. However, the proposed environmental laws require more reporting to Environment. For example, *The*

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[18] Provincial Auditor Saskatchewan *2011 Report - Volume 2*, Chapter 8 (p. 89). This matter was initially reported in our *2008 Report – Volume 1*.

Environmental Management and Protection Act, 2010, once proclaimed, will require notification to Environment where an ESA indicates levels of contamination.[19]

As shown in **Figure 3**, by March 2013 ten at-risk government agencies had identified 309 sites with suspected or known contamination. As previously noted, the ministries of Central Services, Economy, Environment, and Highways were each responsible for multiple sites.

Most government agencies used spreadsheets to track some information about their sites with suspected or known contamination. The nature of the information tracked in spreadsheets varied depending on the number of sites for which the agency was responsible. In general, agencies responsible for fewer sites kept more information in manual files as opposed to within spreadsheets.

Typically, at-risk agencies with multiple sites tracked only some of the information we expected, such as the location of the site, the phase of the ESA, and the year of the most recent ESA. These agencies did not track all key information (e.g., the site classification, information submitted to regulatory authorities, cleanup plans, and approvals from regulatory authorities).

The reporting requirements in the proposed environmental laws differ from existing provincial environmental laws; they set out what key information must be kept and provided to Environment. Because government agencies are subject to the same environmental laws as individuals and companies, they will also be required to maintain and provide this information. See Recommendation 2 in **Section 6.1.3** about the need for at-risk agencies to be fully aware of their responsibilities and obligations under the proposed environmental laws.

Also as noted in **Section 6.2.4**, Environment is currently developing a database to track key information on contaminated sites. When this database is complete, it will provide a complete and accurate inventory of contaminated sites including sites for which the provincial government is responsible for cleanup.

6.2.2 Timely Phase 2 ESAs Needed

We expected that at-risk agencies would use Environment's guidance to decide which types of sites should be given priority for detailed site assessments, which types of sites could be assessed as a group, and on how and how often to monitor the condition of the sites where cleanup may be required. Where preliminary site assessments identified potential significant environmental concerns, at-risk agencies would undertake more detailed site assessments (i.e., Phase 2 ESAs) within a reasonable timeframe. At-risk agencies would rank the risks that sites presented using information from site assessments.

Current provincial environmental laws and Environment's guidance did not provide at-risk agencies with specific guidance for the timely completion of Phase 2 ESAs. At March 2013, only a few government agencies had completed all of their Phase 2 ESAs where their preliminary assessments had identified the need. None of the four ministries with multiple contaminated sites had completed all of their Phase 2 ESAs (see **Figure 3**).

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[19] This legislation received royal assent on May 20, 2010, but was not yet proclaimed at May 8, 2013.

For the agencies with multiple sites, Highways was the most advanced in obtaining or seeking Phase 2 ESAs. For example, in 2005, Highways completed Phase 1 ESAs of all of its maintenance yards[20] for possible salt and/or petroleum hydrocarbon damage and determined 34 sites needed Phase 2 ESAs. By March 2013, Highways had obtained 88% of the necessary Phase 2 ESAs for its maintenance yards (30 of the 34). It hired external experts to complete them. Ministries like Central Services had recently sought Phase 2 ESAs on various sites. Central Services obtained three ESAs at three different sites during 2012.

We had expected that all of the 13 sites classified as Class 1 or 2 would have had Phase 2 ESAs. As shown in **Figure 5**, seven different at-risk agencies are responsible for those sites. These agencies could not tell us when the provincial government had first suspected or identified contamination at these sites. They indicated that most contamination had existed before there was a legal requirement for reporting and/or before the responsibility for the site had been reassigned to them from another government agency.

As noted in **Figure 5**, the Phase 2 ESAs of 2 of 13 class 1 or 2 sites with contaminants were not complete at March 2013. At-risk agencies indicated that the timeliness of their completion of Phase 2 ESAs was driven by the availability of resources and their preliminary assessment of the potential environmental concerns.

Figure 5—Survey Results for Sites Where Cleanup is Required to Address Concerns for Public Health and Safety, Listed by Government Agency

Agency	Site	Location	Contaminants / Environmental Damage	Last Site Assessment (Phase)	Was Cleanup Plan Finalized at March 2013?
Class 1 Sites – ESA indicated action is required to address existing concerns for public health and safety					
Ministry of the Economy	Gunnar Uranium Mine and Mill Site	Lake Athabasca near Uranium City	Uranium	2013 (Phase 2)	No*
Ministry of the Economy	Lorado Uranium Mill Site	Nero Lake near Uranium City	Uranium	2012 (Phase 2)	No*
Ministry of Environment	Western Nuclear Mine Site	Hanson Lake, near Creighton	Various	2007 (Phase 2)	No
Ministry of Environment	Mouse Meadows Copper Wire Burn Site	East of Prince Albert and North of Hwy 55	Various	No formal assessment complete	No
Ministry of Environment	Southend Firebase	Near Southend	Fuel	2012 (Phase 2)	Yes
Prairie Spirit School Division	Two buildings containing asbestos	Clavet Asquith	Asbestos**	2013 (Phase 2)	Na
Saskatchewan Institute of Applied Science and Technology	Two buildings containing asbestos	Saskatoon	Asbestos** Lead paint	2012 (Phase 2)	Yes

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[20] The Ministry of Central Services is responsible for some of the Crown lands upon which these yards are located.

Agency	Site	Location	Contaminants / Environmental Damage	Last Site Assessment (Phase)	Was Cleanup Plan Finalized at March 2013?
Class 2 Sites – ESA indicated that action is likely required to address existing concerns for public health					
Chinook School Division	Schoolyard	Maple Creek	Fuel	2005 (Phase 2)	Yes
Ministry of Central Services	Highways Maintenance Yard	Kamsack	Salt and fuel	2013 (Phase 2)	No
Ministry of Highways and Infrastructure	Highways Maintenance Yard	Neilburg	Salt and fuel	2010 (Phase 2)	No
Ministry of Environment	Treatment cell for Southend Firebase	Near Southend	Fuel	No formal assessment complete	No

Source: Compiled from Provincial Auditor of Saskatchewan Survey Results (March 2013)
* The Ministry of Economy requires a license from the Canadian Nuclear Safety Commission (a federal agency) before it can develop a cleanup plan.
** Buildings or facilities with asbestos do not classify as "contaminated sites" under environmental laws and are subject to different regulatory requirements.

Until all Phase 2 ESAs are complete, our Office cannot determine if all high-priority sites have been identified. Preliminary assessments of sites with suspected or known contaminants had identified that these sites have the risk of posing significant environmental concerns and as a result need a Phase 2 ESA (i.e., a higher-risk site). Without timely Phase 2 ESAs of higher-risk sites that confirm the degree of contamination, the provincial government does not know what public health and safety risks are posed by the contamination and cannot determine what cleanup or risk management activities (e.g., fencing sites to restrict access) are necessary. Delays in cleaning up sites or completing risk management activities may pose public health and safety risks and may cause the provincial government to be held responsible for resulting adverse impacts.

Also as shown in **Figure 5**, some of the Phase 2 ESAs are older. While it is possible for contamination to remain unchanged over time, sometimes contamination in sites migrates, intensifies, or changes. Sites with such risks should be assessed on an ongoing basis. Furthermore, sites classified as Class 1 and 2 that are not yet cleaned up should undergo increased scrutiny. Even if an approved cleanup plan for a site exists, it is possible that the cleanup may not be complete. If the site is not monitored and re-evaluated, there is increased risk that the contamination will cause further damage. Also, estimating environmental liabilities with outdated site information increases the likelihood of recording inaccurate financial information.

The Environmental Management and Protection Act, 2010, once proclaimed, and the related draft Code (once in effect) will require agencies to take actions, as soon as possible, to repair or remedy undue risks to public safety (section 10). The Act will require site assessments, and Environment will be able to set deadlines as to when these site assessments must be completed. Agencies will also be required to actively monitor risks related to changes in site condition and advise Environment of changes in site condition. See Recommendation 2 in **Section 6.1.3.**

6.2.3 Prioritization of Contaminated Sites Needed

We expected that Environment would develop a risk-based overall remediation strategy setting out which types of sites should be given priority for cleanup. It would include strategies to reduce risk of further contamination occurring and provide at-risk agencies with general timelines for completing site cleanup plans. Priority would be given to clean up sites classified as Class 1 or 2 because these sites either pose or are likely to pose concerns to public health and/or safety. At-risk agencies would develop cleanup plans consistent with the Environment's direction and the results of ESAs.

As noted earlier, agencies had not obtained all of the Phase 2 ESAs for sites identified as needing one. Cleanup plans can only be developed once detailed site assessments (i.e., phase 2 ESAs) are complete.

We found that at-risk agencies made it a priority to complete Phase 2 ESAs and cleanup sites where government activities resulted in environmental damage to adjacent privately-owned sites. On occasion, at-risk agencies considered acquiring adjacent property as a part of its cleanup strategy where it had caused the contamination. Also, agencies cleaned up sites with spills as required.

Depending upon federal or provincial jurisdiction and the nature of contamination, the related environmental authority reviews and approves cleanup plans for sites with known contamination posing public health and/or safety concerns. In our survey, five at-risk agencies had indicated they had individual cleanup plans for sites that pose or may pose a threat to public health and safety. This was inconsistent with our findings that showed finalized cleanup plans did not yet exist at some of these agencies (Highways, Central Services). Rather, at March 2013, these ministries were seeking Phase 2 ESAs or analyzing the results of recently completed Phase 2 ESAs.

Also, as noted in **Figure 5**, cleanup plans were not in place for most of the 13 sites identified as class 1 or 2 at March 2013. All at-risk agencies indicated that they planned to develop cleanup plans based on recommendations from the Phase 2 ESAs.

Current provincial legislation requires at-risk agencies to develop cleanup plans for sites reported to Environment that pose existing or potential concerns to public health and safety. However, as noted in **Section 6.2.1**, current provincial legislation does not require submission of all site assessments; the proposed environmental laws will. If a site assessment discloses that the site is a contaminated site, the proposed environmental laws will also require the preparation and submission of a corrective action plan that is acceptable to Environment.

The provincial government does not use a coordinated approach to manage contaminated sites where it is responsible for cleanup. Currently Environment, in its regulatory role, handles reported contamination on Crown lands in the same manner as for that on privately-held land. As previously noted, in its role as regulator, it collects key information about sites for which the provincial government or its agencies are responsible for cleanup. Proposed environmental laws will expand the information that it collects and tracks.

As a part of this audit, we followed up the status of the following recommendation that we made in 2008.[21] As previously reported by our Office,[22] Environment does not assess the risks of identified sites or establish the priority for cleanup of contaminated sites. While, as noted in **Section 6.2.4**, Environment is developing a database to enable it to assess and prioritize sites, at March 2013, it had not done so. This may result in high-risk sites not being given sufficient attention and not being cleaned up within an appropriate timeframe. Delays in cleanup may cause unnecessary damage to public health and safety.

We recommended that the Ministry of Environment complete its risk assessments for identified contaminated sites and rank them in terms of priorities. (2008 Report – Volume 1; Public Accounts Committee agreement June 6, 2008)

Status – Partially Implemented[23]

6.2.4 Key Information on Contamination Not Tracked in Accessible Way

We expected at-risk agencies to maintain reliable information about identified sites with suspected or known contamination (e.g., site location, site classification, risks, cost estimates, site monitoring activities, and cleanup plans). Also, at-risk agencies would base the method for maintaining information on the volume of sites and information expected by regulators (e.g., government agencies with a large number of sites would have a more formalized [e.g., electronic] tracking system).

The Government does not have a formalized system to track key information about contaminated sites at individual agencies or at Environment. As previously noted, at-risk agencies did not track all key information regarding their contaminated sites and used manual files that resided in varying locations (e.g., related region or area of the agency where site was located).

As previously reported by our Office, Environment did not have an adequate system to track contaminated sites or to rank the priority of these sites. As a part of this audit, we followed up the status of the following recommendation that we made in 2008.[23]

We recommended that the Ministry of Environment establish an adequate system for tracking contaminated sites. (2008 Report – Volume 1; Public Accounts Committee agreement June 16, 2008)

Status – Partially Implemented

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[21] *2008 Report – Volume 1* (Chapter 4 – Environment), p. 55.

[22] See *2008 Report – Volume 1* (Chapter 4 – Environment) for details about our audit of the Ministry of Environment's processes to regulate contaminated sites. In this Chapter, we made four recommendations related to the Environment's processes for assessing, monitoring, tracking, and reporting on the status of contaminated sites.

[23] *2008 Report – Volume 1* (Chapter 4 – Environment), p. 53.

At March 2013, Environment relied on its manual files to carry out its regulatory role.[24] As such, Environment did not readily know which sites with reported contaminants were the responsibility of the provincial government (as the polluter or having had accepted responsibility for cleanup).

At March 2013, Environment was in the process of developing a database to track contaminated sites called the Impacted Sites Information System (ISIS). ISIS will track such items as the condition of a contaminated site, the contaminants found at the site, their toxicity levels, health and human safety issues, and will identify risks that require remedial action. ISIS is expected to assist Environment in assessing and ranking risks of identified contaminated sites. Environment expects the bulk of the capabilities of ISIS to be available by mid-June 2013. This includes its ability to track the geographic location of the incidents and to provide future mapping/reporting capabilities. Environment indicated that it will consider the timing of implementing subsequent phases of the system in mid-June 2013.

Once operational, the provincial government could use this system to have Environment identify sites where the provincial government is responsible for cleanup of contamination and to help set priorities in managing and remediating those sites. ISIS may be able to provide Finance and government agencies with key information necessary to help quantify government liabilities for contaminated sites.

7.0 EXHIBITS

Exhibit 7.1—Questions and Answers to Understand Environmental Laws

Who sets environmental standards?

The Governments of Canada (Canada) and Saskatchewan share jurisdiction over environmental matters in Saskatchewan. Canada works with Saskatchewan to develop policies and programs, undertake research, and provide information on environmental issues of national and regional importance. The relationship is fostered through agreements, the Canadian Council of Ministers of the Environment (CCME), and joint work on specific issues such as water and environmental protection.[25]

The Government of Saskatchewan is responsible for natural resources and provincially-owned land. It shares the responsibility for the regulation of the uranium industry with the Canadian Nuclear Safety Commission (CNSC), a federal agency. In Saskatchewan, the Ministry of Environment (Environment) sets environmental standards pursuant to *The Environmental Management and Protection Act, 2002* (Act). This Act and related regulations set the environmental laws and standards for Saskatchewan. Under this Act, Environment is specifically responsible for controlling and directing how to manage contaminated sites.

Who decides what a contaminant is?

A contaminant is any physical, chemical, biological or radiological substance in air, soil, water or sediment that is foreign to or in excess of the natural environment that is causing or may cause an adverse effect.

Federal laws set what a contaminant is for areas subject to federal jurisdiction, such as oceans and fisheries, railways, inter-provincial transport, and grain elevators. Provincial laws define contaminants for areas subject to provincial jurisdiction, such as provincial lands and natural resources.[26] Where conflict between federal and provincial laws arises in relation to the same matter, federal law prevails; however, conflicts are rare.[27]

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[24] Ministry of Environment manual files include applications, drawings, consultant reports, work completed on site, and letters of acceptance/approval from Ministry of Environment noting whether remediation plans and work are acceptable.

[25] www.ec.gc.ca/default.asp?lang=En&n=BD3CE17D-1#govts (18 April 2013).

[26] *The Environmental Spill Control Regulations* provide guidance as to what substances cause adverse effects including the quantities of spills that are to be reported to the Ministry of Environment.

[27] www.envirolaw.com/quick-intro-canadian-environmental-law/ (19 April 2013).

What is a contaminated site?

The Act defines a contaminated site as a site that has contaminants at a level that may cause or has caused an impairment or damage to the environment and/or human health (i.e., quantity exceeds an environmental standard).[28] Environment can designate a site as contaminated.

What is the duty to report?

By law, every individual, company or government agency has a duty to report to the Minister of Environment and, if not the landowner, to the landowner any discharge into the environment that is causing or may cause an adverse effect on the environment. This includes reporting of suspected contamination, through spill or operations, when the suspected contamination is in an amount or concentration that may cause or is causing an adverse effect.

When is an environmental site assessment required or used?

An environmental site assessment (ESA) is a study of a property's past use, the environmental conditions at the site and adjoining sites, and the likely presence of contaminant(s). ESAs are used to identify the nature and degree of suspected or known contamination and are carried out voluntarily or as required by law.

The Canadian Standards Association (CSA) has standards for carrying out site assessments.[29] It has set out two phases which move from a preliminary (phase 1) to a detailed and in-depth (phase 2) assessment.

When is cleanup (remediation) required by law?

Depending on the contaminant involved, either the federal or the provincial Ministry of Environment or both can be involved in the assessment of the nature and degree of reported contamination (e.g., through reviews of environmental site assessments) and in decisions on when and how to clean up contamination (i.e., remediation process). Both can issue environmental protection orders. For example, the Federal Government may make environmental protection orders related to toxic substances (e.g., benzene[30]).

Who pays for the costs of cleanup (remediation)?

Federal and provincial environmental laws are based on the principle that the "polluter pays". For example, the Act requires the polluter that caused the contamination to take all reasonable measures to remedy the contamination and restore the environment to a condition satisfactory to Environment.[31] This includes paying for costs associated with cleanup (remediation).

Exhibit 7.2—Phases of Environmental Site Assessments

Phase	Description
Phase 1	-A preliminary investigation conducted to reveal any potential significant environmental concerns -Determines if there is sufficient risk to necessitate further assessment work -Commonly includes procedures such as researching the site's history and past records, surface and perimeter inspection (e.g., soil samples), and on-site interviews
Phase 2	-A detailed site investigation to confirm and quantify the contamination as identified in phase 1 -Commonly includes drilling holes to sample soil and ground water and detailed laboratory analysis

Source: Phase 1 Environmental Site Assessment - CAN/CSA-Z768-01 and Phase 2 Environmental Site Assessment – CAN/CSA-Z769-00

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[28] The *Environmental Management and Protection Act, 2002*, section 11.
[29] Phase 1 Environmental Site Assessment - CAN/CSA-Z768-01 and Phase 2 Environmental Site Assessment – CAN/CSA-Z769-00.
[30] Benzene is a natural constituent of crude oil.
[31] *The Environmental Management and Protection Act, 2002*, section 7.

Exhibit 7.3—List of Government Agencies Surveyed with Respondents Denoted by (✓)

Ministries:
Advanced Education ✓
Agriculture
Central Services ✓
Economy ✓
Education
Environment ✓
Finance ✓
Government Relations
Health
Highways and Infrastructure ✓
Justice ✓
Labour Relations & Workplace Safety
Parks, Culture, Sport ✓
Social Services ✓
Office of the Executive Council ✓

Other Crown Agencies:
Saskatchewan Cancer Agency ✓
Saskatchewan Crop Insurance Corporation
Water Security Agency of Saskatchewan ✓
Workers' Compensation Board (Saskatchewan) ✓
Northern Municipal Trust Account
Saskatchewan Housing Corporation ✓
Saskatchewan Grain Car Corporation
Agricultural Credit Corporation of Saskatchewan ✓
Global Transportation Hub Authority
Prairie Agricultural Machinery Institute ✓
Saskatchewan Archives Board ✓
Saskatchewan Arts Board
Saskatchewan Centre of the Arts ✓
Saskatchewan Liquor and Gaming Authority ✓
Saskatchewan Institute of Applied Science and Technology ✓
North Sask. Laundry and Support Services Ltd. ✓
Saskatchewan Research Council ✓
Saskatchewan Western Development Museum

School Divisions:
Chinook #211 ✓
Christ the Teacher Roman Catholic #212
Conseil des écoles fransaskoises #310
Creighton SD #111 ✓
Englefeld Protestant Separate #132
Good Spirit #204 ✓
Holy Family Roman Catholic #140 ✓
Holy Trinity RC Separate #22 ✓
Horizon SD #205 ✓
Ile a la Crosse #112 ✓
Light of Christ Roman Catholic Separate #16 ✓
Living Sky #202 ✓
Lloydminster Roman Catholic Separate #89 ✓
Lloydminster Public #99
North East #200 ✓
Northern Lights #113
Northwest #203 ✓
Prairie South #210
Prairie Spirit #206 ✓
Prairie Valley #208 ✓
Prince Albert Roman Catholic Separate #6
Regina Roman Catholic Separate #81 ✓
Regina #4 ✓
Saskatchewan Rivers #119
Saskatoon #13
South East Cornerstone #209 ✓
St. Paul's Roman Catholic Separate #20
Sun West #207 ✓

Regional Health Authorities:
Keewatin Yatthé
Mamawetan Churchill River
Cypress
Five Hills ✓
Heartland ✓
Kelsey Trail ✓
PA Parkland
Prairie North ✓
Regina Qu'Appelle
Saskatoon
Sun Country
Sunrise

Source: Provincial Auditor of Saskatchewan Survey (March 2013)

Exhibit 7.4—National Classification System for Determining Degree of Contamination

Class	Description
Class 1	An environmental site assessment has indicated that action is required to address existing concerns for public health and safety
Class 2	An environmental site assessment has indicated that action is likely required to address existing concerns for public health
Class 3	An assessment has indicated that the site is not a high concern but action may be required
Class N	An assessment has indicated that there is probably no significant environmental impact nor any human health threats, and there is likely no remedial action required
Class INS	An assessment has been performed but there is insufficient information to classify the site

Source: National Classification System endorsed by Canadian Council of Ministers of Environment

Exhibit 7.5—Provincial Auditor March 2013 Contaminated Sites Survey Questions

	Question	Response options
1.	Please fill in accordingly before starting the survey Name Company Email address Phone number	
PART I: Applicability		
2.	Does your entity use, lease or own any land, buildings or sites that have been or may have been exposed to contaminants (e.g., exposure to hazardous waste, chemicals, dangerous goods, petroleum products)?	Yes / No
3.	Does your entity provide any funding for remediation costs associated with contaminated sites not owned or operated by your organization?	Yes / No
4.	Does your entity have a negligible risk of being responsible for environmental remediation costs?	Yes / No
5.	If the answers to all of these questions are "no", STOP completing this survey. Otherwise please continue.	Stop / Continue
PART II: Identification of Sites		
6.	Does your entity own, operate, or have responsibility for funding any remediation costs associated with any contaminated sites?	Yes / No / Do not know
7.	Which of the following best describes the listing of all your entity's sites that have been exposed to contaminants:	-Do not have a list -Have a complete list -Have a partial list that will be Completed before March 31 2013 -Have a partial list -Unsure
8.	How many sites has your entity identified as contaminated or potentially contaminated?	-None -Between 1 to 3 -Between 4 to 10 -More than 10
9.	Has your entity assigned specific personnel to be responsible for potential and known contaminated sites? (e.g., identifying, tracking, coordinating remediation, etc.)	Yes / No/ Do not know
10.	Does your entity have documented policies and procedures in place to guide the identification of sites that may have been exposed to contaminants?	Yes / No / Do not know
11.	Has your entity ever received any central guidance in terms of identifying, managing, or reporting information on contaminated sites?	Yes / No
12.	If Yes, please list who provided the guidance.	Provided by:
13.	Does your entity have documented policies and procedures in place to manage sites that have been exposed to contaminants?	Yes / No / Do not know
14.	Does your entity actively consider the risk of contamination on property you use, lease, or own?	Yes / No / Do not know
15.	Are high-risk sites identified for early attention?	Yes / No / Do not know
16.	Please provide any comments you may have relating to this part of the survey.	
PART III: Site Assessments		
17.	Has your entity performed assessments on all of its contaminated or potentially contaminated sites, land, and buildings?	-All have been assessed (CONTINUE) -Some have been assessed (SKIP TO Question 14) -None have been assessed (SKIP TO Question 16) -Unsure (SKIP TO Question 16)

	Question	Response options
18.	For each site, indicate which years the most recent assessments were performed and by whom.	
19.	What is the estimated percentage of site assessments completed, not complete, or unknown as compared to the total number of known or potential contaminated sites?	__% completed __% not completed __Unknown
20.	For sites with a completed environmental site assessment, who performed individual site assessments?	(Check all that apply) -Qualified professional environmental consultant -Internal professional or qualified staff -Other internal staff
21.	Please indicate why you have not assessed your sites, land, or buildings for known or potential contaminated sites.	
22.	How many sites do you have where an environmental site assessment has indicated that action is required to address existing concerns for public health and safety?	__# sites
23.	How many sites do you have where an environmental site assessment has indicated that action is likely required because there is a high risk of adverse off-site impacts, although threat to human health and the environment is generally not imminent?	__# sites
24.	How many sites do you have where an assessment has indicated that the site is not a high concern but action may be required?	__# sites
25.	How many sites do you have where an assessment has indicated that the site poses no significant risks and likely no action is required?	__# sites
26.	How many sites do you have where an assessment has been performed but there is insufficient information to classify the site?	__# sites
27.	Please provide any comments you may have relating to this part of the survey.	
PART IV: Remediation Activities and Plans		
28.	Does your entity have a documented overall remediation strategy that considers all of your site assessments?	Yes / No / Not applicable
29.	Has your entity developed individual remediation plans for those sites that pose or may pose either a threat to human health or safety?	Yes / No
30.	Are there any contaminated or potentially contaminated sites that have undergone remediation in the past 12 months?	Yes ____ # of sites No
31.	How many contaminated or potentially contaminated sites does your entity plan to remediate in the future?	Yes- ____ # of sites Not applicable
32.	Of the sites you plan to remediate in the future, how many currently have remediation plans in place?	Yes- ____ # of sites None Not applicable
33.	What factors do you consider when prioritizing which sites to remediate first? Please list your top 5 factors considered.	
34.	Please provide any comments you may have relating to this part of the survey.	
PART V: Reporting Liabilities for Contaminated Sites and Other Key Information		
35.	Does your entity use environmental site assessments and remediation plans as the basis for determining its estimated liability for contaminated sites?	Yes / No / Plans to do so upon adoption of PS3260 (if PSAB followed)
36.	Please describe how you estimate the liability for contaminated sites (if applicable) and who is involved.	

	Question	Response options
37.	Does your entity have a documented environmental liabilities accounting policy? If so, please include the policy.	Yes (If yes, please include the policy in the text box at the end of Part V)/ No/ Plan to do so upon adoption of PS3260
38.	Has your entity recorded all of its liabilities for contaminated sites in its financial records?	Yes / No / Most but not all/ Plan to record upon adoption of PS3260
39.	How do you reflect your liability for contaminated sites in your most recent financial statements?	Recorded as a liability/ Note disclosure only/ Combination liability and disclosure/ Expense remediation costs as incurred
40.	Do you plan to change how you report the liability for contaminated sites in the future? (If no, continue to next question)	If yes: -Record a liability -Note disclosure only -Combination liability and Disclosure -Expense remediation costs as Incurred
41.	When your entity cannot reasonably estimate its liability of contaminated sites, has your entity disclosed its existence in its financial statements or in schedules prepared for the Ministry of Finance (for GRF/SFS)?	Yes / No
42.	Describe why it was concluded that a reasonable estimate could not be made.	
43.	We may contact someone at your entity to seek further information about your response. Please identify who you would prefer we contact.	
44.	Please provide any comments you may have relating to this part of the survey.	
Part VI: General Questions		
45.	Does your entity report sites exposed to contaminates to the Ministry of Environment (i.e., the regulator) as soon as they are identified?	Yes / No
46.	Does your entity regularly submit progress reports to the Ministry of Environment regarding management of potential or known contaminated sites?	Yes / No / Do not know If yes, how often: _____
47.	Are estimates of environmental costs and liabilities compared to actual costs for similar sites annually?	Yes / No / Do not know
48.	Are all sites and cost estimates periodically re-evaluated?	Yes / No If yes, how often: _____
49.	Does your entity have processes to systematically track information on potential or known contaminated sites using an electronic information system (e.g., database, excel spreadsheet)?	Yes / No
50.	Is the system is updated as changes occur to the sites?	Yes / No / Do not know
51.	Does the information system include classifications of the known and potential contamination?	Yes / No / Do not know
52.	Does the information system include remediation plans?	Yes / No / Do not know
53.	Does the information system include cost estimates of remediation plans?	Yes / No / Do not know
54.	Does the information system include information on remediation related activities?	Yes / No / Do not know
55.	Does the information system include the recording of site monitoring activities?	Yes / No / Do not know
56.	At the entities last year end, approximately how much did the entity spend on site assessments, remediation plans, and actual remediation work?	$_____

	Question	Response options
57.	In the current fiscal year, approximately how much does the entity plan to spend on site assessments, remediation plans, and actual remediation work?	$_____
58.	To what extent is your entity satisfied with the guidance it has received from the Ministry of Environment to properly assess or remediate current potential or known contaminated sites?	-Not satisfied -Somewhat dissatisfied -Somewhat satisfied -Very satisfied -Not applicable
59.	What information does your entity report publicly other than financial information relating to contaminated sites (e.g., environmental, social, governance measures).	-None -Some -Significant other info
60.	Please provide any comments you may have relating to this part of the survey.	

Source: Adapted from Office of the Auditor General of Manitoba 2007 Survey of Contaminated Sites and Landfills

8.0 GLOSSARY

Cleanup (Remediation)—Cleanup is the improvement of a contaminated site to prevent, minimize or mitigate damage to human health or the environment. Remediation involves the development and application of a planned approach that monitors, removes, destroys, contains, or otherwise reduces availability of contaminants to receptors of concern. Examples of active remediation include removal and disposal of contamination in appropriate landfill, use of pumping and treatment systems to address groundwater contamination, and bioremediation (i.e., introduction of nutrients and microorganisms to break down the contamination).

Cleanup Plan—A detailed written proposal for site remedial work based on a documented risk assessment. The plan typically describes various remediation alternatives under consideration and identifies the preferred option to reduce the risks to public health, safety, and the environment. The chosen remediation method is usually designed to address the unique conditions at the site where it will be implemented. A cleanup plan may include decisions to manage the risks through approaches such as restricting access to the site, changing the usage of the land, isolating the contaminants, etc.

Contaminant—Any physical, chemical, biological, or radiological substance in air, soil, water, or sediment that is foreign to or in excess of the natural environment that is causing or may cause an adverse effect.

Contamination—The introduction of a contaminant(s) into air, soil, water, or sediment.

Contaminated Site—An area of land or water that contains a contaminant in a concentration that exceeds the maximum acceptable amounts under an environmental standard.

Corrective Action Plan—A plan that details the methods employed to prevent, minimize, mitigate, remedy or reclaim impairment of or damage to the environment or harm to human health, caused by any chemical, physical or biological alteration or any combination of any chemical, physical or biological alteration.

Environment—All or any part or combination of the air, soil, water or sediment, and includes plant and animal life.

Environmental Assessment—A comprehensive report detailing the nature, degree of severity, and extent of site contamination; report is prepared as a result of an environmental site assessment.

Environmental Site Assessment (ESA)—A study of a property's past use, the environmental conditions at the site and adjoining sites, and the likely presence of contaminant(s).

Site Assessment—Any activity to determine the cause, nature, or extent of a potential or existing adverse effect that satisfies any requirements set out in environmental laws.

9.0 SELECTED REFERENCES

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Chapter 11
Information Technology Office—Annual Security Audit

1.0 MAIN POINTS

The Information Technology Office (ITO) provides information technology (IT) services to 26 government ministries and agencies (clients). ITO has an agreement with a third-party service provider to operate and maintain a network and data centre on behalf of ITO. The data centre includes computers that host client systems and data. ITO needs to have effective controls and ensure its service provider follows effective security processes to protect client systems and data.

All organizations, including ITO, are subject to security threats including cyberattacks. ITO has worked with its service provider to improve data centre security. However, ITO needs to do more to protect systems and data, such as:

- Complete IT security standards for its clients
- Monitor whether the service provider meets all security requirements
- Provide relevant and timely security reports to clients
- Adequately restrict user access to client systems and data
- Adequately configure and update its server and network equipment
- Have a complete and tested disaster recovery plan for the data centre and clients' systems

Until ITO addresses the weaknesses we report in this chapter, systems and data are at an increased risk of loss, disclosure, or unauthorized modification and may not be available when needed.

2.0 INTRODUCTION

The Information Technology Office (ITO) of the Ministry of Central Services[1] delivers information technology (IT) to clients. Since 2005, ITO has entered into agreements with 26 clients to deliver IT services. The agreements cover 45,000 electronic assets (e.g., computers, printers) and 1,500 applications[2] that are used by over 12,000 client staff throughout the province. A complete list of clients as of March 31, 2013 is included in **Section 11.0**.

ITO's agreements with its clients make it responsible for providing secure IT services. To deliver its services to clients, ITO operated a data centre from 2005 until December 2010. In December 2010, ITO outsourced the data centre to a third-party service provider. ITO remains responsible for meeting the requirements it has agreed upon with clients.

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[1] Effective May 25, 2012, the Information Technology Office became part of the Ministry of Central Services.
[2] *Information Technology Office Annual Report 2011-12*, p. 6.

In this chapter, we assess whether ITO has effective security processes to protect the confidentiality, integrity, and availability of information technology systems and data. We perform this audit annually to support our audits of ministries and other government agencies.

3.0 ITO'S RELATIONSHIP WITH ITS SERVICE PROVIDER

ITO has an agreement with its service provider to deliver data centre services for clients on ITO's behalf. The agreement sets out the roles and responsibilities of both ITO and its service provider. The service provider is responsible for operating the data centre. The data centre includes all servers that operate the network and host applications. The data centre also includes telecommunications equipment that allows computers to send/receive data, systems used to backup data, and mass storage devices used to store client systems and data. The service provider is also responsible for implementing strong physical security controls to prevent unauthorized access.

ITO and its service provider have agreed on how the data centre and all related equipment is to be configured, managed, and maintained. The service provider is required to annually report to ITO on compliance with agreed-upon requirements. Any equipment not in compliance with the agreed-upon requirements must either be remedied by the service provider or exempted by ITO/clients. For example, ITO/clients may exempt a server from receiving security updates if there is a risk that applications may not run properly with the latest server updates. ITO/clients need a plan for how to address these exemptions as they could pose a security risk in the future (see **Section 8.3**).

4.0 SERVICES PROVIDED DIRECTLY BY ITO

ITO provides some services directly to clients. For example, ITO client service representatives manage the relationship between ITO and its clients. ITO also maintains a help desk that supports client requests. Help desk staff support client user access requests (e.g., granting/removing access to systems/data, password resets) and help resolve problems encountered by client staff.

ITO's security team monitors and follows up on security threats identified by security tools (e.g., firewalls). ITO staff also review and follow up on security information provided by its service provider.

5.0 IMPORTANCE OF EFFECTIVE SECURITY PROCESSES

Information technology allows people to access systems and data from anywhere in the world at any time. This opportunity creates a corresponding challenge – how to effectively secure systems and data against cyberattacks.[3] Organizations need effective security processes to protect the confidentiality, integrity, and availability of systems and data against cyber threats.

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[3] Cyberattacks include the unintentional or unauthorized access, use, manipulation or destruction (via electronic means) of electronic information and/or the electronic and physical infrastructure used to process, communicate and/or store that information. www.publicsafety.gc.ca/prg/ns/cybr-scrty/_fl/ccss-scc-eng.pdf (11 April 2013).

Public Safety Canada has reported that the frequency and severity of cyberattacks is accelerating. Saskatchewan is not immune to this threat; the Government of Saskatchewan can never fully protect itself against all cyberattacks. Human error or intentional malicious acts will always make systems and data susceptible to attacks. However, well-secured systems are better able to defend against attacks, detect potential failures, and limit loss if systems and data are breached. For those reasons, the importance of effective security processes cannot be understated.

To protect the security of systems and data, ITO needs to ensure its service provider implements effective security processes and that ITO's clients adhere to effective security requirements. This is because a weakness involving the service provider or at a client location could pose risks to ITO and all its clients. Without security controls, someone could gain unauthorized access, obtain confidential information, inappropriately modify systems or data, or perform acts that could affect availability.

6.0 AUDIT OBJECTIVE

The objective of our audit was to assess whether the Information Technology Office of the Ministry of Central Services had effective processes to protect the confidentiality, integrity, and availability of information technology systems and data for the period from May 25, 2012 to March 31, 2013.[4]

7.0 AUDIT SCOPE, CRITERIA, AND CONCLUSION

We examined both ITO's and its service provider's controls used to secure the data centre. We also examined ITO's agreements, minutes, reports, policies, and processes.

The audit did not assess the adequacy of security controls (e.g., user access controls) for specific client systems (e.g., financial accounting or payroll systems) or for computer equipment in use at client locations. We assess these controls in our audits of those ministries and other government agencies.

To conduct our audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate ITO's processes, we used criteria (see **Figure 1**) based on the work of other auditors and literature listed in the selected references. The criteria are primarily based on the *Trust Services Principles, Criteria, and Illustrations* authored by the Canadian Institute of Chartered Accountants (CICA) and the American Institute of Certified Public Accountants. ITO management agreed with the criteria.

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[4] Effective May 25, 2012, the Information Technology Office became part of the Ministry of Central Services.

Figure 1—Audit Criteria

To have effective processes to protect the confidentiality, integrity, and availability of systems and data the Information Technology Office of the Ministry of Central Services should:

1. **Demonstrate management commitment to security**
   1.1 Have an adequate agreement with its service provider
   1.2 Threat and risk assessments are performed
   1.3 Management approves security policies and procedures
   1.4 Management monitors security including its service provider
2. **Protect systems and data from unauthorized access**
   2.1 User access controls protect systems from unauthorized access
   2.2 Physical security controls protect the data centre from unauthorized access
3. **Ensure systems and data centre remain available for operation**
   3.1 System and data backups occur and are tested
   3.2 Disaster recovery and business continuity plans are in place
4. **Ensure the integrity of systems and data**
   4.1 Change management processes exist and are followed
   4.2 Operational processes exist and are followed

We concluded that for the period from May 25, 2012 to March 31, 2013, ITO had effective controls to protect the confidentiality, integrity, and availability of systems and data except that ITO needs to:

- **Monitor whether its service provider meets all aspects of ITO's security requirements—ITO needs additional information from the service provider in the area of configuration management**

- **Restrict user access to systems and data—ITO does not consistently follow its processes for removing terminated users or fully comply with its password requirements**

- **Configure and update its server and network equipment to protect them from security threats—ITO has appropriately updated and configured certain key servers and network equipment, but it needs to fully secure all servers and network equipment**

- **Complete and test a disaster recovery plan for the data centre and client systems—ITO performs backups and keeps these offsite, but ITO does not have an approved and tested plan to recover systems and data in the event of a disaster**

- **Provide relevant and timely security reports to clients—ITO's reports to clients do not adequately inform clients whether ITO is securing their systems and data**

- **Complete security policies that set a minimum IT security standard for clients—ITO has its own established policies but it has not completed security policies for clients**

8.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out our key findings and recommendations.

8.1 Need to Effectively Monitor Whether the Service Provider Meets its Security Requirements

We recommended that the Information Technology Office of the Ministry of Central Services monitor whether its service provider meets its security requirements. (2011 Report – Volume 2; Public Accounts Committee agreement June 25, 2012)

Status – Partially Implemented

ITO's processes to monitor its service provider did not significantly change during the audit period. ITO continues to have agreements with the service provider that outline security requirements for configuring and maintaining computer equipment. Management has processes that require it to meet regularly with its service provider. Management also receives monthly service-level reports (e.g., system availability statistics) and receives some security reports (e.g., security project status reports) periodically.

However, the reports that document the service provider's compliance with defined security requirements are not yet complete. ITO needs complete and timely reports to effectively monitor whether the service provider is meeting ITO's security requirements. For example, servers are not included in compliance reporting. As described in **Section 8.3**, we found weaknesses with configuration management. Without timely and complete information, ITO may not be able to take timely corrective action to resolve weaknesses.

ITO management advised us that it expects to receive complete security reports from its service provider in May 2013 and annually thereafter.

8.2 Need to Adequately Restrict User Access

We recommended that the Information Technology Office of the Ministry of Central Services adequately restrict access to systems and data. (2012 Report – Volume 2)

Status – Not Implemented

ITO did not significantly improve its processes for restricting user access during the audit period. ITO has documented processes for network user access management. However, as with past audits, ITO did not consistently follow its processes for removing network access for users who no longer require it on a timely basis.

ITO requires user identification accounts and passwords to access all systems and data. While most systems follow ITO policy requirements, some do not. ITO has currently exempted some user accounts from following its established standards. For example, some passwords for accounts do not expire. Weak password controls increase the possibility that a password may be compromised and used by an unauthorized person to gain system access.

8.3 Need to Adequately Configure and Update Server and Network Equipment

> We recommended that the Information Technology Office of the Ministry of Central Services adequately configure and update its server and network equipment to protect them from security threats. (2012 Report – Volume 2)
>
> **Status** – Partially Implemented

ITO is working with clients and its service provider to securely configure all servers. ITO has made some improvements during the audit period to increase the timeliness of server security updates. ITO's service provider now patches most servers that manage its network on at least a quarterly basis. However, patching on all servers is not yet complete for all known vulnerabilities.

ITO did not improve its firewall configurations during the audit period. As noted in our past reports, ITO requires firewalls to protect its data centre. The data centre firewalls are in appropriate locations and monitored. However, the data centre firewalls are not properly updated. Also, ITO's firewall rules do not effectively restrict data communications from accessing the data centre. The weakness is due to ITO not effectively defining the firewall rules that its service provider needs to follow. Without adequate firewall rules, the risk of a security breach increases. We also note continuing issues with updating and monitoring firewalls that protect client locations.

Without adequate configuration, someone could gain unauthorized access, obtain confidential information, inappropriately modify systems or data, or perform malicious acts that could affect availability.

8.4 Complete Disaster Recovery Plan Required

> We recommended that the Information Technology Office of the Ministry of Central Services have a disaster recovery plan for the data centre and client systems. (2006 Report – Volume 3; Public Accounts Committee agreement April 3, 2007)
>
> **Status** – Not Implemented

ITO has identified the need to improve its disaster recovery processes. ITO wants to receive additional funding for a data centre contingency site, and would like to use a contingency site to provide critical IT services to ITO and its clients in the event the primary data centre is unavailable for use.

ITO continues to work with its clients to define disaster recovery needs for critical applications. In some cases, ITO has helped clients contract for disaster recovery solutions for specific applications.

ITO does not have a complete and tested disaster recovery plan, but needs one to identify who is responsible for what. ITO's agreement with its service provider only requires the service provider to make best efforts in the event of a disaster. If a disaster occurred, it is not clear if the best efforts recovery would meet client needs, when systems and data would be fully operational, or at what cost.

Neither ITO nor its clients know whether systems and data could be restored when needed in the event of a disaster. This could result in systems, data, and services being unavailable to the Government and the people of Saskatchewan.

8.5 Provide Relevant and Timely Security Reports to Clients

We recommended that the Information Technology Office of the Ministry of Central Services provide relevant and timely security reports to its clients. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

Status – Partially Implemented

In **Section 8.1**, we note that ITO needs to effectively monitor its service provider. We also note that the service provider has agreed to periodically provide ITO with complete security reports that describe the service provider's compliance with agreed-upon requirements. In the same way, ITO's clients need information from ITO to enable them to monitor the services provided by ITO. ITO's clients need to know that ITO – their service provider – is doing its job. Our expectation is that ITO will provide its clients with timely and relevant security reports to allow effective monitoring.

During the audit period, ITO continued to provide risk assessment information to clients and periodically meet with staff at client agencies to discuss service issues and ongoing operations. However, during the audit period, ITO did not make significant improvements to the reports that it provides to its clients. The reports to clients do not outline ITO security controls in place or deficiencies with those controls. Accordingly, clients do not have adequate information on the potential impact that significant security weaknesses of ITO could have on their systems and data. Clients need this information to make decisions about how best to manage their systems and data.

8.6 Complete Client Security Policies Required

We recommended that the Information Technology Office of the Ministry of Central Services establish information technology security policies for its clients. (2008 Report – Volume 3; Public Accounts Committee agreement December 10, 2008)

Status – Partially Implemented

ITO has not completed development of security policies and procedures that its clients need to follow.

Our expectation is that, to protect the security of its data centre, ITO needs to ensure its clients follow effective security policies and procedures. This is because a security weakness at a client poses risks to ITO and all of its clients.

ITO is working with its clients to classify their systems and data. Classification allows ITO and its clients to document system and data risks and helps define what security requirements are needed for each type of data (e.g., confidential). ITO expects the result of data classification by clients will help define client security policy requirements.

9.0 GLOSSARY

Application—A software program. This includes programs such as word processors, spreadsheets, database programs, accounting programs, etc.

Backup (noun)—A copy of systems or data to be used when the originals are not available (e.g., because of loss or damage).

Change management—An organized approach for introducing changes into a program or process, used to minimize unintended consequences.

Configure—To set up or arrange in order to achieve a specific purpose (e.g., maximize security).

Data centre—A central location for computer network hardware and software, especially storage devices for data.

Disaster recovery plan—A plan for an organization to restore necessary IT services in the event of an emergency or disaster. A disaster recovery plan is one part of a larger, organization-wide business continuity plan.

Firewall—Software and/or hardware intended to restrict or block access to a network or computer. Firewalls can be set up to only allow certain types of data through.

Network—A group of computers that communicate with each other.

Patch—An update to a computer program or system designed to fix a known problem or vulnerability.

Physical access controls—The controls in place at an organization that restrict unauthorized people from gaining physical access to computers or network equipment. Examples include locked doors and cabinets, and video surveillance systems.

Server—A computer that hosts systems or data for use by other computers on a network.

User access controls—The controls in place at an organization to restrict use of systems or data to those who have been authorized. These include physical controls such as locked doors or cabinets, as well as computer and network controls such as establishing accounts with specific access rights, requiring passwords, etc.

10.0 SELECTED REFERENCES

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11.0 ITO CLIENT LIST

Ministry of Advanced Education
Ministry of Agriculture
Ministry of Central Services
Ministry of Education
Ministry of the Economy
Ministry of Environment
Ministry of Finance
Ministry of Government Relations
Ministry of Health
Ministry of Highways and Infrastructure
Ministry of Justice
Ministry of Labour Relations and Workplace Safety
Ministry of Social Services
Ministry of Parks, Culture and Sport
Apprenticeship and Trade Certification Commission
Executive Council
Financial and Consumer Affairs Authority
Global Transportation Hub Authority
Office of the Provincial Capital Commission
Office of the Provincial Secretary
Physician Recruitment Agency of Saskatchewan
Saskatchewan Legal Aid Commission
Saskatchewan Grain Car Corporation
Saskatchewan Housing Corporation
Saskatchewan Municipal Board
Technical Safety Authority of Saskatchewan

Chapter 12
Nominating Qualified Immigration Applicants

1.0 MAIN POINTS

The Ministry of the Economy (Ministry) facilitates immigration by using the Saskatchewan Immigrant Nominee Program to recommend the nomination of qualified applicants for permanent immigrant status to the Federal Government.

The Federal Government has the sole authority to grant immigration status to individuals. It has agreements with provinces so provincial governments can address local labour shortages through immigration. The Federal Government allocates each province an annual quota of nominations; in 2012, Saskatchewan's quota was 4,000 nominations.

This audit examined the effectiveness of the Ministry's processes to nominate qualified immigration applicants to meet the Saskatchewan Immigrant Nominee Program's needs.

For the eight-month period ended December 31, 2012, we concluded the Ministry of the Economy's Saskatchewan Immigrant Nominee Program operated effectively to nominate qualified immigration applicants to meet the program's objectives except that the Ministry needs to:

- Provide guidance and training for staff to assess the feasibility of relocation and settlement plans and business establishment plans submitted to the Entrepreneur Immigration Categories of the Saskatchewan Immigrant Nominee Program
- Document the support (e.g., date, institution, or person contacted) to explain how decisions were reached on eligibility and qualifications of immigration applicants
- Update quality review policies to reflect its risk-based practice

In this chapter, we describe the key findings for this audit and make five recommendations for the Ministry.

2.0 INTRODUCTION

This chapter sets out the results of our audit to assess whether the Ministry of the Economy's Saskatchewan Immigrant Nominee Program operated effectively to nominate qualified immigration applicants to meet the Program's objectives.

The Ministry's Immigration Services Branch had a budget for 2012-13 of $4.9 million[1] and has 52 staff.

The Federal Government has the sole authority to grant immigration status to individuals. It has agreements with provinces so provincial governments can address local labour shortages through immigration. The Federal Government gives each province an annual quota of nominations; in 2012, Saskatchewan's quota was 4,000 nominations.

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[1] *Saskatchewan Provincial Budget 12-13 Estimates* for Immigration Services Branch was $12.8 million. The Ministry reorganization on May 25, 2012 resulted in Career and Employment Services being moved out of the Immigration Services Branch. The remaining budget for Immigration Services Branch was $4.9 million.

The Ministry facilitates immigration by using the Saskatchewan Immigrant Nominee Program (Program) to recommend (i.e., nominate) applicants, who qualify under provincially-established criteria, for permanent immigrant status to the Federal Government. The Ministry does not directly participate in recruiting potential immigrants. Rather, it facilitates the immigration process by working with Saskatchewan employers and potential immigrants to improve the likelihood of a nomination being accepted by the Federal Government. According to the Ministry, the Program can provide an alternate and quicker entry into Canada than other federal immigration programs.[2]

In 2012, 11,182 immigrants (applicants, their spouses and dependents) settled in Saskatchewan (2011 – 8,955). Of the new immigrants, 81% (2011 – 78%) had been granted permanent resident[3] status by the Federal Government through provincial nomination in prior years. The other 19% (2011 – 22%) had applied directly to the Federal Government as economic, federal family, refugee, or other classes of immigrants.[4]

The Program is intended to nominate applicants who will contribute to the economic development of Saskatchewan and have the ability to become economically established in Canada.[5] In 2011-12, most of the 4,072[6] applicants the Program nominated either had a permanent job waiting for them in Saskatchewan or were economically independent and willing to invest in a business or farming operation.[7]

In order to support economic and population growth,[8] the Ministry needs to nominate potential immigrants who will be accepted by the Federal Government for immigration. The Program needs to be fair and transparent to avoid real or perceived bias against or favoritism of potential immigrants and employers. The Ministry also needs the Program's processes to be timely because processing delays can impact a potential immigrant's decision to apply and when to apply, an employer's decision to make an offer of employment, as well as overall immigrant and employer satisfaction.

3.0 BACKGROUND

The Provincial Government's overarching priority of economic growth for Saskatchewan includes immigration. Saskatchewan had a net increase of almost 38,000 immigrants to the province between 2007 and 2011.[9]

The Ministry nominated 4,072 immigrants in 2011-12 under the Saskatchewan Immigrant Nominee Program. The Ministry expects this to result in the arrival of 11,000 to 12,000 immigrants[10] to Saskatchewan over a period of 18 months.[11] Employer demand for immigrant workers exceeds the Federal Government's allocation of 4,000 nominations.[12] Saskatchewan estimates that it will require as many as 75,000 to 90,000 skilled workers in the next five years.[13]

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[2] www.saskimmigrationcanada.ca/sinp (20 March 2013).

[3] Permanent resident – a person who has legally immigrated to Canada but is not yet a Canadian citizen.

[4] CIC Micro Data, preliminary for 2012.

[5] Canada-Saskatchewan Immigration Agreement, 2005.

[6] Ministry of Advanced Education, Employment and Immigration, *2011-12 Annual Report*, p. 25. The Program nominated 4,072 individuals in 2011-12. This includes an additional 72 nominations that were transferred to the Program from other provincial jurisdictions that did not meet their federal nomination allocation.

[7] Prior to May 2, 2012, immigrants nominated under the family referral category were not required to have a skilled job.

[8] Saskatchewan Plan for Growth Vision 2020 and Beyond, p. 11.

[9] Ibid.

The Immigration Services Branch at the Ministry uses the following units to administer the Program:

- The Employer Engagement Unit determines whether prospective employers are legitimate, operating businesses and do not have outstanding Labour Standards or Occupational Health and Safety contraventions. It also determines whether the jobs offered are for skilled workers in accordance with the federal job classification system,[14] are full-time and permanent positions, and that the employer plans to pay competitive wages.
- The Economic Immigration Unit processes applications for five immigration categories. **Figure 1** below describes these categories.
- The Entrepreneur Immigration Unit processes applications for two immigration categories. **Figure 2** below describes these categories.

Figure 1 – Economic Immigration Categories

- The **skilled workers category** includes individuals who have university, college or apprenticeship training and have an offer for a full-time skilled job in Saskatchewan.
  - The skilled worker professionals sub-category is for individuals who are not currently employed in Saskatchewan, but have a full-time permanent job offer in a skilled position.
  - The existing work permit sub-category is for individuals who have worked for at least six months in Saskatchewan on a temporary work permit[15] issued by the Federal Government in a skilled field, and have a full-time, permanent job offer in a skilled position.
- The **family referral category** is for individuals with a relative who has been living in Saskatchewan for at least one year, and who will assume responsibility for providing assistance during the immigration process. The individual must have an offer for a full-time, permanent job in Saskatchewan in a skilled position.
- The **health professions category** includes physicians, nurses and other health professionals who have international training, meet regulatory requirements, have worked full-time for at least six months in Saskatchewan as a health professional on a temporary work permit, and have a full-time, permanent job offer.
- The **long haul truck driver category** is for truck drivers who have worked a minimum of six months with an approved trucking firm in Saskatchewan on a temporary work permit, hold a current Saskatchewan Class 1A driver's license, and have a full-time, permanent job offer.
- The **student category** is for individuals who have recently graduated from a recognized post-secondary institution in Canada.
  - The post-graduation work permit sub-category is for individuals who have graduated from a recognized post-secondary institution, have worked in Saskatchewan for a minimum of 1,920 hours on a temporary work permit, and have received a full-time, permanent job offer in Saskatchewan.
  - The Masters and PhD sub-category is for individuals who have graduated with a Master's degree or PhD from a recognized post-secondary institution in Canada and have either worked in Saskatchewan for at least six months on a temporary work permit in their field of study, are currently employed in their field of study, have a job offer in their field of study for a term longer than six months, or have sufficient funds to sustain themselves for a short period without work.

Source: Ministry of the Economy

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[10] This includes the nominees and their immediate families.
[11] Ministry of Advanced Education, Employment and Immigration, *2011-12 Annual Report*, p. 10.
[12] Ibid., p. 25.
[13] Government of Saskatchewan, News Release – December 3, 2012: Saskatchewan Introduces Legislation to Protect Foreign Workers and Immigrants.
[14] National Occupational Classification is the nationally accepted reference on occupations. It provides labour market information by reporting occupational statistics and organizing job titles and descriptions.
[15] Temporary Work Permit – An official document issued by a visa office abroad that is placed in a person's passport to show that he or she has met the requirements for admission to Canada as a temporary resident (worker).

Figure 2—Entrepreneur Immigration Categories

- The **entrepreneur category** includes individuals who have a minimum of three years entrepreneurial or relevant business management experience and plan to invest at least $150,000 in a business in Saskatchewan. There are three sub-categories under this main category.
  - The entrepreneur sub-category is for individuals with a minimum net worth of $300,000 who plan to establish a business in Saskatchewan.
  - The science and technology sub-category is for individuals who promote active investment in the science and technology sector by owning a patent, innovative information technology idea, or plan on actively investing in a partnership with an existing Saskatchewan science or technology-based firm. They must also meet all of the criteria for the entrepreneur sub-category, including having a minimum net worth of $300,000.
  - The large-scale investor sub-category is for individuals who plan to actively invest at least $10 million into Saskatchewan businesses.
- The **farm owner/operator category** is for individuals with proven experience in the farming industry and have the finance capital available to invest in and operate a farming operation in Saskatchewan.
  - In the farm owner/operator sub-category, individuals must have a minimum net worth of $500,000.
  - The young farmer sub-category is for individuals under the age of 40, who have a net worth of $400,000.

Source: Ministry of the Economy

If applicants meet the provincial immigration criteria, the Ministry issues a provincial nomination certificate,[16] which is valid for 180 days. The applicant then applies to Citizenship and Immigration Canada which has the sole authority to grant immigration status to individuals.

4.0 AUDIT OBJECTIVE, CRITERIA, SCOPE, AND CONCLUSION

The objective of this audit was to assess whether the Ministry's Saskatchewan Immigrant Nominee Program operated effectively to nominate qualified immigration applicants to meet the Program's objectives. We examined processes for the eight-month period ended December 31, 2012.

We examined the Ministry's criteria, policies and procedures that relate to nominating qualified immigration applicants. We assessed the Ministry's processes to evaluate employers and job offers. We tested a sample of applicant's files and evaluated how the Ministry assessed and verified the applicant's qualifications. We looked at the Ministry's processes for reviewing complaints, and reviewed a sample of complaint cases. We also examined how the Ministry collected data and reported on its key success factors.

Employers frequently use third-party recruiters to find qualified potential immigrants. Also, immigration applicants may decide to use a representative to assist them with the application process of the Program (as described in **Section 5.2.2**). The Program is not involved in either the recruitment process or the use of a representative; therefore, we did not audit the recruitment process or an immigrant's use of a representative.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate the Ministry's processes, we used criteria based on the work of other auditors and current literature. The primary sources for the criteria in **Figure 3** are set out in **Section 7.0**. The Ministry's management agreed with these criteria.

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[16] Nomination certificate – a certificate issued by a province or territory that recommends a foreign national for permanent residence under a Provincial Nominee Program.

Figure 3—Audit Criteria for Nominating Qualified Immigration Applicants

To operate effectively to nominate qualified immigration applicants to meet the Program's objectives, the Ministry should:

1. **Identify standards for nominating qualified immigration applicants**
   - 1.1 Approve standards required
   - 1.2 Align nomination processes with standards
   - 1.3 Communicate criteria
2. **Select qualified immigration applicants for nomination**
   - 2.1 Determine provincial need for immigration applicants
   - 2.2 Assess qualifications of applicants (e.g., screening)
   - 2.3 Verify qualifications of applicants
   - 2.4 Approve recommendation
   - 2.5 Communicate nomination in a timely manner
3. **Monitor outcomes of nomination program**
   - 3.1 Assess key success factors of the program
   - 3.2 Investigate complaints
   - 3.3 Analyze and adjust program
   - 3.4 Communicate results

We concluded that for the eight-month period ended December 31, 2012, the Ministry of the Economy's Saskatchewan Immigrant Nominee Program operated effectively to nominate qualified immigration applicants to meet the Program's objectives except that the Ministry needs to:

- **Provide guidance and training for staff to assess the feasibility of relocation and settlement plans and business establishment plans submitted to the Entrepreneur Immigration Categories of the Saskatchewan Immigrant Nominee Program**
- **Document the support (e.g., date, institution, or person contacted) to explain how decisions were reached on eligibility and qualifications of immigration applicants**
- **Update quality review policies to reflect its risk-based practice**

5.0 Key Findings and Recommendations

In this section, we set out our key findings and recommendations related to the audit criteria in **Figure 3**.

5.1 Standards Identified

5.1.1 Standards Approved

Federal legislation sets out key Canadian immigration requirements (e.g., *Immigration and Refugee Protection Act, Immigration and Refugee Protection Regulations,* and *Canadian Multiculturalism Act).* In the *Canada-Saskatchewan Immigration Agreement, 2005*, the Federal Government gives the province the authority to determine criteria for nominating provincial nominees within the federal parameters.

The Ministry sets provincial nominee criteria for each immigration category (as described in **Figures 1** and **2**). These criteria align with the federal laws and guidelines.

While Saskatchewan's criteria align with the federal laws and guidelines, we noted that other jurisdictions with provincial immigrant nominee programs may have varying requirements. For example, we noted that other jurisdictions require or strongly recommend an exploratory visit to the province by a potential immigrant in the entrepreneur category. In Saskatchewan, this is not required, but an exploratory visit does contribute 15 points out of 100 points (see ranking system in **Exhibit 6.2**). The Ministry annually receives a report from the Federal Government that shows a comparison of the standards in all provincial immigrant nominee programs. The Ministry considers the other jurisdictions' standards, as well as what will best fit the Saskatchewan labour market, in determining what the standards will be for the Program's immigration categories.

5.1.2 Nomination Processes Aligned with Standards

The Ministry aligned its nomination processes with the standards and criteria for each immigration category. The Ministry's policies and procedures set out how it evaluates applicants based on the provincial standards and criteria for each category. Applicants in the skilled worker professional category and the entrepreneur category must meet all selection criteria and achieve required scores in the Ministry's rating system (see **Section 6.1** and **6.2**). The rating system is transparent. Applicants in other categories must meet all criteria for those categories.

5.1.3 Criteria Communicated

Immigration criteria are communicated to potential applicants and employers in application guides and forms provided on the Ministry's website. The Ministry's application forms are available in English and French, and other Program information is available in 24 different languages that are representative of potential immigrants wanting to enter Saskatchewan. The Ministry also works with the 11 regional newcomer gateways[17] throughout Saskatchewan to keep the gateways informed of immigration procedures.

The Ministry's website explains employment requirements to employers interested in using the Program to attract foreign workers. The Ministry also holds information sessions to communicate the criteria to interested employers, or will meet with them individually.

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[17] The regional newcomer gateways are centres for newcomers arriving in Saskatchewan and are funded by Citizenship and Immigration Canada and the Ministry of the Economy. The gateways help newcomers find the information, resources, services and people needed to aid in their move to Saskatchewan.

5.2 Qualified Immigration Applicants Selected

5.2.1 Provincial Need for Immigration Applicants Determined

As described in **Section 2.0**, the Ministry does not recruit potential immigrants. Rather, it facilitates the immigration process by working with Saskatchewan employers and potential immigrants. For the economic immigration categories (See **Figure 1**), employers determine their labour shortages and recruit potential immigrants for the positions. The Ministry evaluates employers who want to use the Program against the criteria such as wage rate requirements and business legitimacy (see **Section 5.2.2**).

Figure 4 below shows the applications by immigration category the Ministry has at various stages of processing in its inventory at December 31, 2012.

Figure 4—Applications by Immigration Category at December 31, 2012

Immigration Category	Applications in Inventory
Economic Immigration Categories	
Skilled Worker	3,980
Family Referral	3,904
Health Professions	61
Long Haul Truck Driver	30
Student	1,028
Entrepreneur Immigration Categories	
Entrepreneur	2,164
Farm Owner/Operator	7
Other*	134
Total	**11,308**

* Other category represents applications received for semi-skilled workers or applications that have not yet been assigned to a category
Source: Ministry of the Economy (8 February 2013)

5.2.2 Assessment of Eligibility and Qualifications of Applicants can be Improved

Employers

The Employer Engagement Unit maintains a training manual to instruct its staff how to assess employers who want to use the Program, as well as how to evaluate the employers' job offers to potential immigrants.

In March of 2011, the Employer Engagement Unit changed its processes from assessing an employer and job offer at the same time as the qualifications of an applicant to a two-step process. The two-step process assesses employers and job offers prior to accepting an immigrant's application for processing. We describe assessing employers and job offers in this section, and in **Section 5.2.3,** we describe the process for the verification of eligibility and qualifications of applicants.

The Employer Engagement Unit assesses if potential employers are legitimate, operating businesses, understand Program processes, and have any past history of hiring and retaining foreign workers. Assessing the legitimacy of an employer is done through online searches and verification that the company is registered with the corporations branch of a jurisdiction and/or has a valid business license in the city or town they are located in. Staff can also inquire directly to the Ministry of Labour Relations and Workplace Safety to ensure the employer does not have outstanding Labour Standards or Occupational Health and Safety violations. Such violations would indicate they would not be a suitable employer in the Program (e.g., complaints about the employer not paying workers).

In the files we examined, we found that staff verified the legitimacy of employers by checking business registrations with the Corporations Registry[18] and through site visits and/or discussions with owners. We also found that employers were verified through other means such as searches on stock exchanges and verification with industry associations (e.g., Saskatchewan Construction Association).

After the Ministry approves the employer, the employer submits the job offer to the Ministry for assessment. The Ministry ensures that the job is for a skilled, full-time permanent position, the applicant will be residing in Saskatchewan, will be working for a Saskatchewan-registered company, and the wages in the job offer meet the Ministry's minimum standards.[19] The Ministry verifies the job type to the National Occupational Classification to ensure it is for a skilled category.

Once both the employer and job offer are approved, the Ministry issues a Confirmation of Job Approval to the employer, who is responsible for sending it to the potential immigrant. The potential immigrant attaches this confirmation of job approval to his or her application.

Applicants

All applications within each stream[20] are processed chronologically once complete (i.e., contain all required documents from the applicant for the category) and are randomly assigned to staff to reduce real or perceived bias in the process.

The Ministry's process consists of pre-screening applications for completeness, basic reviewing of applications for program eligibility, in-depth reviewing of applications against criteria and verification of documentation, and final approval of applications for nomination.

Figure 5 outlines the general flow of a potential immigrant's application through the Ministry's processing stages.

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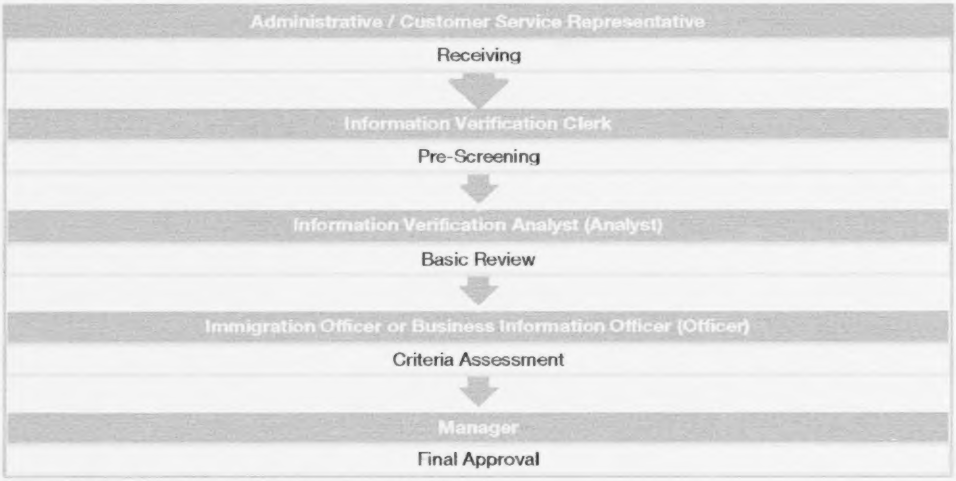
[18] Corporations Registry is part of the Information Services Corporation (ISC) family of registries.

[19] Wage offers must be the same pay rate for Canadians and foreign workers doing the same work, and must be within 15% of the median pay for the job category.

[20] The Ministry divides applications into the following streams: temporary work permit applicants, entrepreneur and farm owner/operator applicants, and all other applicants.

Figure 5—Immigrant Application Processing: General Flow


Administrative / Customer Service Representative
Receiving
Information Verification Clerk
Pre-Screening
Information Verification Analyst (Analyst)
Basic Review
Immigration Officer or Business Information Officer (Officer)
Criteria Assessment
Manager
Final Approval

Source: Ministry of the Economy; Policy and Procedures Manual

Applicants can use representatives when they apply to the Program. Representatives are appointed by applicants to conduct business on their behalf with the Program and federal agencies. Applicants can use unpaid representatives, such as family members, friends, or members of non-governmental or religious organizations; or paid representatives. The Program only recognizes paid representatives who are members of a Canadian provincial or territorial law society, the Immigration Consultants of Canada Regulatory Council, or the Chambre des notaires du Quebec. Limiting the types of paid representatives recognized reduces the risk of applicants receiving wrong advice or being taken advantage of.

Generally, the Ministry has policies and procedures that provide guidance to staff about what documents are acceptable to support each criterion for each immigration category. However, there is a lack of guidance in assessing entrepreneur relocation, settlement and business plans as discussed later in this section.

Ministry staff attend a federal course to learn about the *Immigration and Refugee Protection Act* and the criteria required by the Act.

The Economic Immigration Unit's staff receive on-the-job training both with an experienced staff member in the same position and their supervisor. Staff also receive formal training on the Unit's policies and procedures. The Unit maintains detailed procedures for evaluating potential immigrants' applications against the criteria for the various categories. However, as noted in **Section 5.2.3** below, procedures are not always followed.

The Entrepreneur Immigration Unit's staff also receives on-the-job training with experienced staff members. However, it does not provide training or written guidance for assessing relocation and settlement plan or business establishment plan criteria for the entrepreneur and farm owner/operator immigration categories. Because of the complexity of these areas, training and written guidance in assessing these plans is necessary so that staff evaluate applicants consistently.

1. **We recommend that the Ministry of the Economy provide guidance for staff to assess the feasibility of relocation and settlement plans and business establishment plans for the Entrepreneur Immigration Categories of the Saskatchewan Immigrant Nominee Program.**

2. **We recommend that the Ministry of the Economy provide training for staff to assess the feasibility of relocation and settlement plans and business establishment plans for the Entrepreneur Immigration Categories of the Saskatchewan Immigrant Nominee Program.**

5.2.3 Document Support for Verification of Eligibility and Qualifications of Applicants

Verifying eligibility and qualifications of immigration applicants includes the:

- Validation of applicants' academic and skills qualifications and/or work experience
- Verification/confirmation of existence and liquidity of applicants' assets
- Evaluation of applicants' plans for owning/operating businesses or farms for the likelihood of success and feasibility

The Federal Government is responsible for verifying health, criminality and security (i.e., terrorism) information from the applicants.

Applicants are required to send in supporting documents in their original language as well as provide an English or French translation. To ensure that the documents accompanying the application forms are legitimate, the Ministry should verify, as necessary, that the documentation is not fraudulent or misrepresentative.

The Ministry provides guidance to staff about how to verify applicant eligibility and qualifications. This guidance focuses, for example, on verifying the applicant's education and work experience, whether a representative is registered, and the applicant's English or French language proficiency. Verification could include the Ministry contacting institutions or foreign governments to confirm documentation.

The Ministry requires third-party expert verification of an entrepreneur or farm owner/operator applicant's net worth and accumulation of funds. In 2012, the Ministry issued a request for proposal to contract third party experts who could verify this information. During our audit period, the Ministry used either a third-party expert or Ministry Officers for the verification of applicants' net worth and accumulation of funds.

The Ministry also provides yearly fraud detection training to all staff to increase their knowledge and awareness about indicators of document and other types of fraud. In **Section 5.3.2,** we describe a situation where the Ministry's processes identified a falsified job offer.

The Ministry's policies and procedures require staff to ensure the potential immigrant's application meets the criteria requirements, verify authenticity of the provided information, document that verification was done, and document the support (e.g., date, institution, or person contacted) to explain their verification decisions on eligibility and qualifications in the applicant's file. We examined a sample of 30 application files from different categories that were at least at the Analyst stage of the process (see **Figure 5**). In this sample, we saw that there were representation that verification of eligibility and qualification was performed. However, we did not find any supporting documentation that explained the steps Ministry staff had taken to verify eligibility and qualifications.

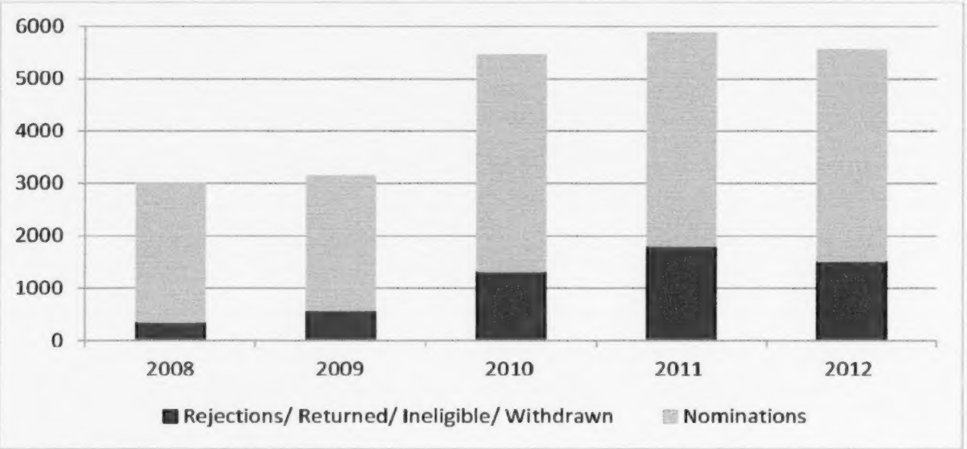
3. **We recommend that the Ministry of the Economy follow the Saskatchewan Immigrant Nominee Program policies and procedures that require staff to document the support (e.g., date, institution, or person contacted) to explain how decisions were reached on eligibility and qualifications of immigration applicants.**

5.2.4 Nomination and Rejections Properly Handled

Approval of Recommendation

Once an application has been processed, the Analyst or Officer will recommend nomination or rejection of the applicant. A randomly-assigned manager will conduct a final review of the file, including reviewing the assessment and approving the recommendation. **Figure 6** shows the applications processed and resulting nominations and rejections for the past five years.

Figure 6—Applications Processed by Calendar Year



Source: Ministry of the Economy (22 March 2013)

Quality Review of Processed Applications

The Ministry's Program Integrity Unit is responsible for quality review of the processed applications.

The Unit reviews a sample of processed application files to confirm they comply with Program policies and quality standards. The Ministry's policy requires a review of a file completed by each Officer or Analyst every two years.

A quality review of files may result in recommendations when there are deficiencies in how applications are processed or when policies are not being followed. At the end of the review, a report is to be provided to senior management and, where appropriate, to staff.

Staff in the unit have been informally selecting files for review using their own risk assessment (e.g., changes to a category, staff departure). However, the Program has not updated its policies or formally documented how it selects files for review. Therefore, certain types or categories of files may not be selected and reviewed on a consistent and timely basis each year.

4. **We recommend that the Ministry of the Economy update policies to reflect its risk-based practice for quality reviews to guide staff of the Saskatchewan Immigrant Nominee Program.**

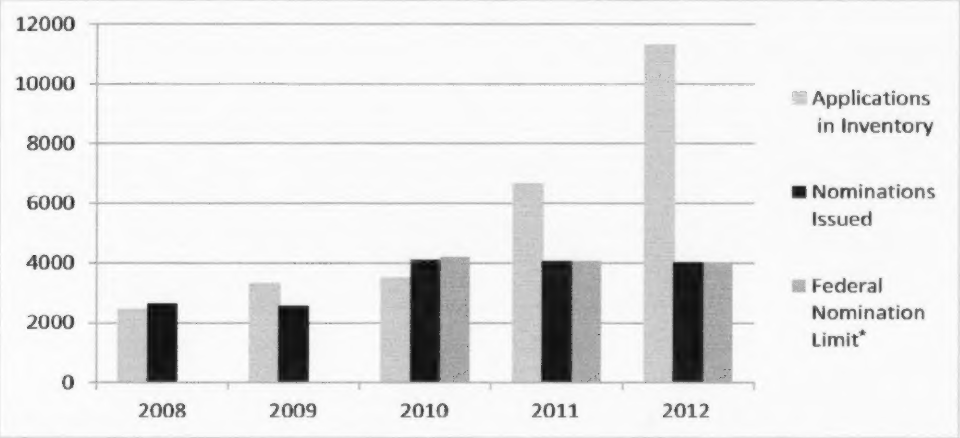
5.2.5 Nominations Communicated in a Timely Manner

The nomination or rejection is communicated to applicants in letters. Nomination letters serve as the nomination certificate. This nomination certificate is valid for 180 days and allows the applicant to apply for immigration to the Federal Government. Monthly, the Ministry notifies the Federal Government of the approved nominations. In the files we examined, the nomination or rejection letter was sent to the applicant within three business days of the manager's approval of the recommendation. The Ministry effectively communicates the nomination to applicants in a timely manner.

At December 31, 2012, the Ministry had 11,308 applications at various stages of processing in its inventory. **Figure 7** highlights the rapid growth over the last five years of applicants using the Program.

The Ministry cannot nominate more than the annual federal nomination limit (i.e., 4,000 in 2012); therefore, applicants over the limit must wait to be nominated until a subsequent period. If the trend of increasing applications continues in the future, eligible applicants may wait for significant amounts of time until approved for nomination certificates.

Figure 7—Application Inventory and Nominations by Calendar Year



Source: Ministry of the Economy (22 March 2013)
* There was no federal nomination limit in 2008 and 2009. The federal nomination limit was set in consultation with Citizenship and Immigration Canada.

The Ministry publishes historical average application processing times. This works well when the number of applications received is relatively stable. However, this does not provide adequate estimates of future processing times when the number of applications significantly changes, as it has in the two last years. If employers and applicants are aware of potentially longer processing times, they may choose to apply directly to the Federal Government or pursue other alternatives.

5. **We recommend that the Ministry of the Economy establish a process to estimate and communicate future processing times for the Saskatchewan Immigrant Nominee Program.**

5.3 Outcomes Monitored

5.3.1 Key Success Factors Assessed

The Program is intended to nominate applicants who will contribute to the economic development of Saskatchewan and have the ability to become economically established in Canada.

One purpose of the Program is to nominate applicants who are ultimately accepted for immigration by the Federal Government. Citizenship and Immigration Canada makes the final immigration selection decision. That is, it can reject applicants if they do not meet federal immigration criteria that are harmonized with the Program's criteria, or criteria related to criminality, health, security or other factors. In 2012, the Federal Government approved 92% (2011 - 96%) of the Ministry nominees.

Annually, the Ministry obtains information from the Federal Government on when and where nominated immigrants settle in the province. The Federal Government provides information on an immigrant's income and how long an immigrant stays in the province. For example, at December 2010, 87% of immigrants who arrived between 2000 and 2010 remained in Saskatchewan.

The Ministry defines key success factors of the Program (e.g., attachment to the Saskatchewan labour market, timeliness of processing applications, acceptance of nominations by the Federal Government), tracks performance, and reports the results.

5.3.2 Complaints Investigated

The Program Integrity Unit reviews complaints from a variety of external sources and follows up on issues referred to it internally.[21]

The Ministry received 33 new complaint or referral cases between April 1 and December 31, 2012. In the complaint/referral cases we examined, the Ministry followed its policies and procedures. One of these was a referral to the Program Integrity Unit by staff of the Ministry about a suspicious job offer in an applicant's file. In this case, the Officer determined the employer had no knowledge of that job offer and that the job offer was not valid. The Program Integrity Unit determined the falsified job offer had been produced by a representative. As a result, this representative was suspended from using the Program for two years. Also, the immigration application was rejected by the Ministry's processing staff.

The Ministry also had 91 complaint cases related to prior years that were still in the process of being reviewed in the period we audited. Cases may involve multiple applicants, employers, recruiters and/or representatives. For example, one of the cases involved multiple fictitious employers in applications from one group of representatives.

The Ministry does not have authority to investigate immigrants. If an immigrant is suspected of entering the country based on fraudulent information, the Ministry notifies federal authorities who have the authority to investigate and deport, if warranted.

5.3.3 Program Analyzed and Adjusted

The Ministry routinely identifies areas for improvement in the Program through branch, unit and committee meetings. The Ministry also seeks feedback from its stakeholders (i.e., employers, industries and applicants), about how the Program can be improved. The Ministry updates its policy and procedure documents annually, or as immigration categories change. For example, on May 2, 2012, the family referral immigration category changed to require applicants to have a skilled job offer. The Ministry's policies and procedures were updated to reflect these changes.

5.3.4 Results Communicated

The Ministry publishes on its website quarterly its average historical application processing times. However, as we explain in **Section 5.2.5**, the Ministry needs to estimate and communicate future estimated processing times for the program. The Ministry also publishes trends on the number of provincial nominations in its annual report. The Ministry communicates the results of its internal goals within the organization quarterly.

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[21] New legislation currently before the Legislative Assembly will enhance the Program Integrity Unit's powers to investigate employers, recruiters and representatives.

6.0 EXHIBITS

Assessment ratings are done on a points system using the following matrices.

6.1 Assessment Rating-Skilled Workers/ Professionals

An applicant must both meet all selection criteria (e.g., having a Ministry approved, skilled job offer) and achieve an assessment rating score of a minimum of 35 points to be considered for nomination. The Ministry provides guidance on scoring for each factor.

Factor No.	Description		Max. Points
1	Education		15
2	Work Experience	Intended Occupation	10
		Alternative Occupation	5
3	Language Ability	1st Official Language	10
		2nd Official language	5
4	Family Adaptability		10
5	Saskatchewan Adaptability		15
6	Community Support		5
7	Age		10
8	Personal Financial Resources		5
Total Score: (maximum 90)			**90**

Source: Ministry of the Economy

6.2 Assessment Rating-Entrepreneur Category

An applicant must both meet all selection criteria (e.g., having sufficient net worth) and achieve an assessment rating score of a minimum of 55 points to be considered for nomination. The Ministry provides guidance on scoring for each factor.

Selection Criteria	Maximum Points
Visit	15
Business Contacts	20
Business Development	20
Home Ownership	10
English Competency	15
Community/Family Contacts	10
Commitment	10
Total	**100**

Source: Ministry of the Economy

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Chapter 13
Physical Safety of Students at School

1.0 MAIN POINTS

The Education Act, 1995 (Act) delegates responsibility for student safety to school divisions. The Act contains several sections that direct school divisions to develop procedures for maintenance of schools to ensure standards for safety are met, and to ensure areas such as laboratories, shops and other ancillary accommodations conform to laws and regulations. We audited the effectiveness of processes to provide for the physical safety of students at school for the period March 1, 2012 to February 28, 2013 at Regina School Division No. 4 and Regina Roman Catholic Separate School Division No. 81.

Our audit concluded that for the two school divisions we examined, the school divisions had effective processes to provide for the physical safety of students at school except in six areas. We found that the two school divisions need to:

- Assess the level of physical security required for schools
- Set requirements for safety training to ensure an adequate number of staff are trained in the event of an emergency situation
- Develop requirements for air quality testing to be conducted when construction takes place during the school year
- Develop and implement safety manuals for science and practical and applied arts programs and ensure safety equipment is functioning and accessible
- Conduct assessments of appropriate locations for placement of safety-related signage and items, and provide guidance for maintaining consistent emergency response kits in schools
- Develop and report on student safety performance measures

In this chapter, we describe the key findings of our audit of student safety and make recommendations to the school divisions.

We encourage other school divisions in the province to assess their own student safety processes using the audit criteria in this chapter.

2.0 INTRODUCTION

Children spend a significant number of hours at school each week. A learning environment that is both physically and psychologically safe is essential for students to be successful at school. Physical safety of students at school is the focus of this audit.

School divisions are governed by elected boards of education, responsible for administering schools and managing student safety. Saskatchewan's 28 school divisions administer and manage over 600 schools with over 168,000[1] children enrolled.

We audited two school divisions, Regina School Division No. 4 and Regina Roman Catholic Separate School Division No. 81, to assess their processes to provide for the physical safety of students at school. The selection of these two school divisions provided the opportunity to compare and contrast processes between the school divisions and multiple schools within those divisions.

Regina School Division No. 4 has 50 schools – 41 elementary schools and 9 high schools. Regina Roman Catholic Separate School Division No. 81 has 29 schools – 23 elementary schools, 4 high schools, and 2 alternative schools. For the 2011-12 school year, Regina School Division No. 4 had approximately 20,000 enrolled students[2] and the Regina Roman Catholic Separate School Division No. 81 had approximately 10,000 enrolled students.[3]

A safe school environment is conducive to student success. It is important for children to be able to learn while being safe from injury, whether in a classroom, gymnasium or shop. Student safety covers a broad number of topics and subject areas; many factors contribute to a safe learning environment for students. General guidelines and school safety measures should be communicated to students. It is important that school divisions ensure that facilities and equipment are safe and in good repair. Instruction to guide students to conduct activities (e.g., in shop, physical education) in a safe manner must take place. School divisions should also have formal tested emergency response plans/mechanisms to deal with safety threats as they arise. It is important for schools to know how to respond in an emergency situation. A quick and practiced response to an emergency may save lives.

3.0 BACKGROUND—RESPONSIBILITY FOR STUDENT SAFETY

The Education Act, 1995 (Act) delegates responsibility to boards of education to prescribe procedures with respect to the design, maintenance and supervision of school accommodation for the purposes of maintaining satisfactory standards of comfort, safety and sanitation for students and other users (section 85(1)(w)). The Act also directs boards of education to prepare an administrative manual with respect to program policies, administrative organization and general management of school divisions (section 103(1)).

The Act requires that the plans and specifications of buildings used for instructional purposes must conform to all laws and any regulations with respect to:

- Standards required for heating, lighting, ventilation, sanitation, acoustics, fire protection, safety and adequacy of accommodation for the pupils and other users of the building (section 353(c))

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[1] Provincial K-12 Student Enrolment Summaries obtained from: www.education.gov.sk.ca/School-Division (6 April 2013).
[2] Regina Public Schools 2012-13 Budget Proposal, p.3. www.rbe.sk.ca/sites/default/files/boarddocs/2012-13_budget_proposals.pdf (4 April 2013).
[3] Regina Catholic Schools 2012-13 Budget, p.3. www.rcsd.ca/uploads/0618Budget.pdf (4 April 2013).

- Provisions for laboratories, libraries, shops and other ancillary accommodations required for the program plans of the board of education or the conseil scolaire for the school (section 353(d))
- Any other requirements that may be necessary to comply with the legislation and regulations of any department or agency of the Government of Saskatchewan to the extent that any legislation is applicable to schools (section 353(e))

Under *The Occupational Health and Safety Act, 1993*, school divisions have a responsibility to ensure the health and safety of staff members. These safety measures also have a direct impact on the safety of students.

4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of school divisions' processes to provide for the physical safety of students at school, from March 1, 2012 to February 28, 2013. We conducted our audit at two school divisions – Regina School Division No. 4 (RSD) and Regina Roman Catholic Separate School Division No. 81 (RCSD). This audit did not examine school division policies or processes to address bullying.

To conduct this audit, we examined division and school policies and procedures related to safety. We met with officials in each of the school divisions to discuss the processes for physical safety in schools. We visited 13 schools (eight RSD and five RCSD schools) to discuss and observe their safety practices. We visited elementary and high schools in both divisions.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate the school divisions' processes, we used criteria developed from the work of other auditors and current literature listed in the selected references. Management of RSD and RCSD agreed with the criteria in **Figure 1**.

Figure 1—Audit Criteria

To have effective processes to provide for the physical safety of students at school, school divisions should:

1. **Establish requirements for student safety**
    - 1.1 Define requirements for student safety (e.g., comply with legislation; set policies, procedures and performance measures for emergency response, maintenance of buildings, use of gym or laboratory equipment)
    - 1.2 Identify key student safety initiatives to meet requirements
    - 1.3 Communicate all requirements for student safety (teachers, staff, students, parents)
2. **Implement student safety initiatives**
    - 2.1 Assign responsibility for initiatives
    - 2.2 Implement/use procedures for student safety initiatives
    - 2.3 Determine/provide training requirements (school employees, volunteers)
    - 2.4 Verify compliance with safety initiatives (student drills, audits, reviews)
3. **Monitor performance of student safety initiatives**
    - 3.1 Investigate complaints and incidents
    - 3.2 Resolve safety issues quickly
    - 3.3 Report on performance of student safety initiatives

We concluded that, for the period March 1, 2012 to February 28, 2013, Regina School Division No. 4 and Regina Roman Catholic Separate School Division No. 81 had effective processes to provide for the physical safety of students at school except for their processes to:

- **Assess the level of physical security required for schools**
- **Set requirements for safety training to ensure an adequate number of staff are trained in the event of an emergency situation**
- **Develop requirements for air quality testing to be conducted when construction takes place during the school year**
- **Develop and implement safety manuals for science and practical and applied arts programs and ensure safety equipment is functioning and accessible**
- **Conduct assessments of appropriate locations for placement of safety-related signage and items, and provide guidance for maintaining consistent emergency response kits in schools**
- **Develop and report on student safety performance measures**

5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria in **Figure 1**. These findings may help other school divisions in the province assess their own safety processes.

5.1 Some Established Requirements for Student Safety Need Improvement

5.1.1 Most Requirements for Student Safety Defined

We found that school divisions generally document requirements for student safety in their policies and procedures, with a few exceptions as discussed later in this report.

The expectations for schools' emergency plans are outlined by each division. Both school divisions have worked with their schools to ensure schools have appropriate emergency plans. These plans include documented procedures for fire evacuation, securing the building, bomb threats, weapons, etc.

Physical education guidelines are set out by the Ministry of Education in the form of *The Saskatchewan Physical Education Safety Guidelines for Policy Development*. The guidelines were developed through a collaborative project which included educators and experts in the field of physical education. Each school division has established its own physical education policy or handbook that aligns with the key policy development criteria in the guidelines (e.g., statement of philosophy, standard of care, guiding principles, sport specific safety guidelines) set out by the Ministry.

Occupational health and safety (OHS) legislation sets out certain safety requirements for schools. Under the legislation, teachers are required to take safety training on handling of chemicals or other hazardous materials that could be used in science laboratories and practical and applied arts shops (see **Section 5.2.3**). The legislation also sets out the minimum number of staff who are required to have certification in first aid that includes cardiopulmonary resuscitation (CPR).

We expected school divisions to provide each school with safety manuals that include specific guidance and expectations for shop and science teachers. Currently, RSD is using a manual from another province (developed as guidance for science classes) while it is working on developing its own manual. It does not have formal division-wide guidance for safety in shop facilities or for maintenance of shop equipment. As mentioned in **Section 5.2.4**, RSD contracts the annual maintenance of all shop equipment.

RCSD has developed some in-class safety guidance for the practical and applied arts and science areas; however, it does not have formal division-wide guidance for safety in shop facilities, science labs or for maintenance of shop equipment.

Both school divisions indicated that schools rely on teachers' experience to provide a safe learning environment in the practical and applied arts shops.

1. **We recommend that Regina School Division No. 4 develop and implement safety manuals to be used by schools to guide safety and maintenance for all science labs and shop areas in its practical and applied arts programs.**

2. **We recommend that Regina Roman Catholic Separate School Division No. 81 develop and implement safety manuals to be used by schools to guide safety and maintenance for all science labs and shop areas in its practical and applied arts programs.**

We expected school divisions to establish requirements for maintaining school premises. Good maintenance practices are important to support student safety in school buildings and on grounds. We found that RSD had adopted a computerized system[4] for monitoring maintenance requirements for schools. The system includes checklists for school maintenance personnel to complete. Each asset has its own maintenance schedule. These checklists direct maintenance attention to various areas of the school such as playgrounds, heating/cooling equipment, condition of the roof, etc.

RCSD has established maintenance requirements and uses a manual system to track scheduled maintenance. RCSD is working towards implementing the same computerized system as RSD.

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[4] FAME Asset Management Solutions Software.

5.1.2 Key Student Safety Initiatives Identified

Identifying student safety initiatives involves a variety of resources. These include school division personnel, principals, teachers and school maintenance staff. We found that school divisions identify initiatives for promoting student safety though two-way communications between schools and the division. This is done through policies and procedures (as described in **Section 5.1.1**), staff meetings, division walk-throughs, and OHS committee minutes.

To help ensure student safety, both school divisions have undertaken special projects. For example, school divisions have engaged in special projects in science labs to remove unnecessary and expired chemicals and comply with OHS requirements. Both school divisions have also facilitated the creation of emergency plans and identified and analyzed safety-related scenarios.

5.1.3 Requirements Communicated for Student Safety

Both school divisions communicate their requirements for student safety through various means. The school divisions use policies and procedures as described earlier. Additionally, the school divisions host education sessions to communicate with principals. Various departments within the school divisions lead specific safety communications initiatives.

RSD has a Workplace Health and Wellness Department that functions in a consultant role. The department partners with principals to coordinate emergency response plans, coordinate training, develop safe work procedures, annually inventory chemicals, and handle chemical disposal. The division's facilities area coordinates the maintenance schedules and liaises with each school's caretakers. In RSD, scheduled maintenance requirements are communicated and tracked through electronic prompts that are issued by the computerized system.

RCSD has assigned a staff member to coordinate training for teachers and staff, develop safe work practices and ensure schools comply with OHS requirements. Emergency response plans are coordinated through the Education Services area of the division. Maintenance requirements are communicated to school maintenance personnel, and are tracked and schools report back to the division.

At the commencement of the school year in each school division, informational meetings are held for all principals within the division. Principals hold staff meetings to provide relevant information to teachers and staff. Staff meetings include materials for discussion and walk-through of safety initiatives such as physical education guidelines and emergency plans. A school emergency response team is also identified at the beginning of each school year. Additional information and reminders are provided to teachers in staff meetings throughout the school year. Newsletters and emails are used to communicate issues and safety concerns to parents and students. These highlight issues such as traffic flow concerns and emergency situations for each school division.

5.2 Certain Student Safety Initiatives Need Improvement

5.2.1 Responsibility Assigned for Safety

The school divisions have assigned responsibility for student safety to each school's principal. In our interviews with principals, it was clear that all principals understood they have an important oversight role regarding student safety. The principals expect teachers and staff to work together, using their expertise, to keep students safe. Schools within each division are assigned a public health nurse and a Regina City Police School Resource Officer.[5] The individuals are assigned to schools to provide support and expertise.

5.2.2 Procedures for Student Safety Initiative Implementation and Usage Need Improvement

Student safety covers a broad number of topics and subject areas. Each area listed below contributes to a safe learning environment for students.

Emergency Response Plans

Both school divisions have developed templates and checklists for schools to keep their emergency response plans current. The school divisions require individual schools to submit their emergency response plans annually for review by the division. RSD recently undertook a project to review schools' emergency response plans comprehensiveness and consistency. We found that RSD provided a formal sign-off on each school's emergency response plan, while RCSD reviewed the emergency response plans but did not sign them off.

3. **We recommend that Regina Roman Catholic Separate School Division No. 81 formally document its annual review and sign-off of emergency response plans.**

During our visits to schools in both school divisions, we noted that some schools have developed their own emergency response kits that would be used in case staff and students need to evacuate the building. The kit usually contained copies of the school's emergency response plan, attendance lists, emergency/family contact information and a first aid kit. We also found that some schools had implemented smaller emergency response kits for classrooms that contained a copy of the school's emergency response plan, classroom attendance list, and an evacuation map with primary and secondary exits marked. School divisions should consider a more uniform implementation of this practice.

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[5] The School Resource Officer program combines education, investigation, law enforcement, counseling, crime prevention and community relations to meet the diverse need of students, teachers, and staff in the school community. www.reginapolice.ca/about-us/community-services-division/school-resource (28 March 2013).

4. We recommend that Regina School Division No. 4 review its practices for emergency response kits and provide guidance to schools on the required contents of kits.

5. We recommend that Regina Roman Catholic Separate School Division No. 81 review its practices for emergency response kits and provide guidance to schools on the required contents of kits.

During our inspections at both school divisions, we found the locations of various safety-related items such as fire extinguishers and first aid kits varied from school to school. In one particular school, there was only one first aid kit. We found limited safety-related signage around schools promoting general safety awareness. Clear signage identifying the location of safety equipment such as first aid kits may reduce response time in the event of an emergency. School divisions should determine the appropriate location for safety-related signage and safety items within schools to maximize their accessibility.

6. We recommend that Regina School Division No. 4 determine the appropriate location for placement of safety-related signage and safety items such as fire extinguishers and first aid kits in schools.

7. We recommend that Regina Roman Catholic Separate School Division No. 81 determine the appropriate location for placement of safety-related signage and safety items such as fire extinguishers and first aid kits in schools.

Both school divisions have provided guidance to schools (through guidance for emergency plans) on handling safety-related drills. Safety-related drills that may be conducted in schools include:

- Evacuate the building – fire, stranger in the building
- Lockdown – hide/quiet in the building, stranger in the building
- Secure the classroom/building – conducted in some schools where they secure students in classrooms
- Move to designated areas and away from windows – tornado

We found that both school divisions currently conduct and document fire evacuation and lockdown drills. RSD schools are required to conduct four fire drills and two lockdown drills per school year. These are documented in the emergency plans and results are reported to the school division regularly. RCSD schools are required to practice two fire and two lockdown drills in the fall and spring. The timing and results of the drills are also reported to the school division regularly.

Physical Education

As discussed earlier, physical education guidance is provided by the Ministry of Education through The Saskatchewan Physical Education Safety Guidelines for Policy Development. Both school divisions have developed physical education policies and handbooks for schools based on the Ministry guidance. These documents are detailed and provide guidance to teachers on a variety of activities.

We found school gyms and equipment were generally in good repair. Schools had safe and appropriate storage for physical education equipment.

Occupational Health and Safety

RSD has created a Workplace Health and Wellness Department. This Department works with school OHS committees to ensure formal documented quarterly meetings are held and issues resolved in compliance with OHS regulations. A functioning OHS committee existed in each school and meeting minutes were recorded and posted, usually in staff rooms.

Air quality testing is another component of OHS and is coordinated at each division level. Air quality testing is conducted on a regular basis in both school divisions, unless there are requests to conduct testing more often.

During our school visits in RSD, there was construction taking place in a school during the school year. The air quality in the school was tested prior to the construction starting. Management advised us it will be tested again when the construction was complete. The division did not have a process in place to test air quality over the course of the construction to ensure that the air was safe (and not filled with dust or contaminants).

In addition to regular testing, RCSD indicated that it obtains a contractor to test air quality before a construction project starts, and after construction is completed. The division does not test that air quality is safe during construction.

It is important that air quality is maintained during construction to ensure no harmful contaminants are released and that the air is safe for students and staff.

8. **We recommend that Regina School Division No. 4 develop requirements for air quality testing to be conducted when construction takes place during the school year.**

9. **We recommend that Regina Roman Catholic Separate School Division No. 81 develop requirements for air quality testing to be conducted when construction takes place during the school year.**

Practical and Applied Arts/Science Labs

Practical and applied arts are comprised of a number of subjects including automotive, woodworking, electrical, cosmetology, cooking and sewing. There is greater risk to student safety in these subject areas than in others. Both school divisions have conducted a review of all of their schools for compliance with OHS regulations around storage of chemicals in science labs. RSD and RCSD have also both coordinated Workplace Hazardous Materials Information Systems (WHMIS) training for their shop and science teachers.

Eyewash stations are located in science labs and shop areas in RSD. Eyewash stations are used to flush harmful contaminants from the eye to help prevent permanent damage. We observed one automotive shop in RSD where the safety equipment was not accessible as there was equipment in front of the eyewash station and the emergency exit. In RCSD, we observed one eyewash station was not working and another that was not easily accessible. It is important that safety components are functioning and accessible at all times to help keep students safe.

10. We recommend that Regina School Division No. 4 develop processes to keep safety components (e.g., eye wash stations, emergency exits) accessible in science labs and shop areas.

11. We recommend that Regina Roman Catholic Separate School Division No. 81 Develop processes to keep safety components (e.g., eye wash stations, emergency exits) assessable in science labs and shop areas.

Maintenance

As discussed in **Section 5.1.1**, we expected the school divisions to establish maintenance practices for their schools to ensure the safety of students. We found RSD had adopted a computerized system for monitoring maintenance requirements for schools. RSD utilizes the software system to both schedule and track all maintenance. RSD coordinates the maintenance schedules and liaises with all school maintenance personnel. School maintenance personnel receive weekly, monthly, and other regular prompts for routine school maintenance from the school division. They also have the ability to record other routine seasonal tasks and initiate service requisitions through the system. This electronic system also maintains a listing of and initiates prompts for other routine testing of equipment such as sprinklers and fire alarms.

RCSD is planning on implementing the same computerized system for its maintenance in 2014. It is currently using the system to request and track service requisitions. It is in the process of gathering and recording asset data into the system where it will then attach the appropriate maintenance schedule to each asset. It currently keeps logs and tags on assets to monitor maintenance. Maintenance supervisors in the division monitor items such as temperature gauges and air flows and use that information to identify issues and conduct spot checks.

Access

During our inspections of schools in both school divisions, many principals expressed concerns over the level of security. The main concern was the lack of visibility of front entrances from school administration offices. Because school officials cannot always view front entrances, they are not immediately aware of when people have entered the school. This allows people to bypass the office. Elementary schools tend to have the front door unlocked during the school day, while high schools often have multiple doors unlocked during the school day to permit access to and from student parking areas.

Persons entering schools often have immediate access to other areas of the school. In some schools, there is signage indicating that all visitors are to report to the school office. All schools we visited indicated that they utilize a log to track visitors to the school. Some high school principals we spoke with indicated that they have experienced issues with people entering their schools unannounced. As a result, in RCSD video cameras are installed in some schools to allow the office to monitor people entering the school. RSD plans to install video cameras in some schools over the next year. School divisions should assess the level of risk to schools and provide guidance to schools on how to appropriately secure physical access. Options for consideration include installing cameras and/or intercoms in connection with locked doors.

12. We recommend that Regina School Division No. 4 assess the level of physical security required for each school in the division.

13. We recommend that Regina Roman Catholic Separate School Division No. 81 assess the level of physical security required for each school in the division.

5.2.3 Clarification of Training Requirements Needed

Both school divisions provide opportunities for teachers to take training in various safety-related areas, such as first aid, use of automatic external defibrillators (AED machines), safe lifting techniques, WHMIS, etc. Both school divisions coordinate this training centrally.

OHS legislation outlines certain training that needs to be taken by school staff. The legislation specifies that each school must have at least one person trained in administering first aid. The legislation also requires that staff who work with certain chemicals or hazardous materials (i.e., controlled products) must to take training in WHMIS.

RSD tracks WHMIS training taken by staff but does not track how many staff are certified in first aid, AED or EpiPen[6] administration. RSD also does not track when first aid certifications are set to expire (certifications are good for three years) and has not set expectations for other types of safety training teachers are expected to take. Also,

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[6] EpiPen is a type of anti-allergen injection device.

RSD's emergency preparedness policy indicates that site emergency response team members are to receive training. Principals we spoke to indicated that no separate training has been provided.

RCSD provides training in first aid, AED, and EpiPen use, non-violent crisis intervention and threat assessment. It tracks certifications and training along with expiry dates. The school division sends reminders to teachers and staff when they require additional or updated training. It has established requirements for the number of teachers that must have first aid training (one per one hundred employees consistent with OHS requirements); AED (three employees per school) and all staff are required to be trained by the public health nurse on the administration of an EpiPen. This training is coordinated and managed by the school division.

We found in some schools there was only one person certified in first aid (which includes CPR and AED). Given that the required number of first aid trained teachers and staff is based on the number of employees rather than the entire number of people in the school including students, both school divisions should set a requirement of more than one person per school to be trained in first aid.

14. **We recommend that Regina School Division No. 4 set expectations for safety training that school staff are required to take including defining the number of first aid trained staff required in each school.**

15. **We recommend that Regina Roman Catholic Separate School Division No. 81 define the number of first aid trained staff required in each school.**

5.2.4 Verifying Compliance with Safety Initiatives

Both school divisions monitor whether their schools comply with safety initiatives. Schools are to regularly report to division personnel on the number and types of drills (e.g., fire, secure the building, stranger in the building) held during the year to ensure schools are complying with division policies. The school divisions also review each school's emergency plan to ensure they contain all the components required by division policy. In the case of RSD, division personnel formally sign-off on the plan.

The school divisions have done reviews to ensure schools are complying with OHS regulations for storage of chemicals. The school divisions ensure that fire safety equipment is inspected regularly (e.g., fire extinguishers, standpipes [hoses], fire alarms). These inspections are conducted by the Fire Commissioner's office or are contracted to third party experts. The divisions ensure schools are complying with fire regulations (e.g., limiting wall coverings to 20% of space) by conducting walk-through reviews.

OHS committees are functioning in all schools under the coordination and guidance of the school division. School OHS committees provide copies of meeting minutes to division personnel. Division personnel address concerns identified by the committees.

As mentioned previously, RSD has a centralized Workplace Health and Wellness department to assist schools in addressing health and safety issues. This area also coordinates training for teachers (e.g., first aid, CPR) and does reviews to ensure schools are complying with OHS requirements. Workplace health and wellness personnel and school resource officers also observe drills conducted at schools and provide suggestions to improve processes.

RSD's Workplace Health and Wellness Department also conducts reviews of various areas in schools. Personnel regularly review science labs and practical and applied arts areas to discuss safety concerns teachers may have and to ensure areas are meeting OHS requirements. As a result of these reviews, RSD has contracted with a third party to annually ensure all equipment and tools used in shop areas are in proper working condition. Personnel also conduct general reviews to determine if there are any safety program needs and to review implementation of safety programs.

RCSD has a staff member who coordinates training for teachers and staff, develops safe work practices and ensures schools comply with OHS requirements. RCSD advised us that they rely on the expertise of teachers to ensure all equipment and tools used in the shop areas are in proper working condition (see **Section 4.1.1**).

As noted earlier, RSD maintenance requirements are communicated to school caretakers through the electronic monitoring and tracking system. School caretakers are able to verify in the system when work has been completed. If the division office does not receive the verification, it follows up to ensure scheduled maintenance is completed. In RCSD, maintenance requirements are manually tracked and reported back to the division by school maintenance personnel.

5.3 Use of Performance Measures Would Complement Division Monitoring and Board Reporting

We expected school divisions to have processes to monitor the performance of student safety initiatives at schools and within the division.

5.3.1 Complaints and Incidents Investigated

We found that schools address complaints from parents, teachers and students. If an issue is not resolved at the school, it is escalated to the school division. Both school divisions maintain records of complaints which allow them to identify trends and issues (i.e., across multiple schools or multiple complaints about a single issue or individual).

School divisions have provided schools with forms to use to report incidents such as medical emergencies or inappropriate behavior. Formal insurance reports also document incidents that occur. Regina City Police School Resource Officers are available to assist if needed for investigations. We found that all principals used similar process to address incidents and accidents.

5.3.2 Safety Issues Resolved

We found that safety issues were regarded as important by officials at both school divisions. Issues are reported and resolved at either the school or division level. Maintenance requests are managed through the maintenance systems. General safety concerns (e.g., ice, snow) are addressed quickly. Any issues with traffic are communicated by schools to their respective school divisions. The school divisions in turn communicate issues to the City of Regina's Pedestrian Traffic Safety Committee. Both school divisions have representation on this Committee. The objective of the Committee is to provide the citizens with a group to which they can bring complaints and suggestions about traffic problems directly related to school pedestrian traffic safety. The committee also has representation from the City of Regina and Regina Police Service.

5.3.3 Report on Performance of Student Safety Initiatives

Both school divisions need to improve their monitoring of performance of safety initiatives. Currently, both school divisions have not set any performance measures or targets around student safety. Both school divisions monitor the number of fire drills and "secure the building" drills that schools perform during the year. Once performance measures and targets are set, the school divisions should consider what information should be reported to their boards on a regular basis.

16. **We recommend that Regina School Division No. 4 develop performance measures and targets related to student safety and report on these measures and targets periodically to its Board.**

17. **We recommend that Regina Roman Catholic Separate School Division No. 81 develop performance measures and targets related to student safety and report on these measures and targets periodically to its Board.**

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Chapter 14
Processes to Place Minister's Wards in Permanent Homes

1.0 MAIN POINTS

Under *The Child and Family Services Act*, the Ministry of Social Services (Ministry) is required to intervene on a child's behalf if the child is in need of protection due to physical, sexual, or emotional abuse or neglect. When children have remained in the care of the Ministry for more than 18 months, they may become permanent wards or long-term wards of the Ministry based on court orders. The Ministry is responsible for planning for the long-term development of these wards, including their placement in permanent homes that provide a safe and nurturing environment.

Our audit for the period July 1, 2012 to December 31, 2012 found that the Ministry had effective processes to place permanent wards and long-term wards in permanent homes (e.g., long-term homes and adoptive homes) except the Ministry needs to:

- Complete and approve policies and procedures for its adoption program including those for addressing complaints or appeals
- Follow its established policies and procedures to formally document the permanency plans in place for permanent wards and long-term wards
- Place children on the adoption list within 120 days as required by the Ministry's policies
- Set performance measures and targets for its adoption program
- Begin collecting and analyzing information related to the outcomes of its services for long-term wards and permanent wards in its care

We make seven recommendations.

2.0 INTRODUCTION

The mandate of the Ministry of Social Services (Ministry) is to support citizens at risk as they work to build better lives for themselves through economic independence, strong families, and strong community organizations. The Ministry also "protects Saskatchewan's vulnerable people and supports their inclusion in the province's prosperity."[1] To accomplish this, the Ministry operates a number of programs, including affordable housing, income assistance, supporting persons with disabilities, and child and family services.

The Child and Family Services Act requires the Ministry to intervene on a child's behalf if the child is in need of protection due to physical, sexual, or emotional abuse or neglect. The Ministry has services designed to protect children from abuse or neglect, support families and communities in caring for children, assist people facing family violence, and assist families to adopt children under *The Adoption Act, 1998*.

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[1] Ministry of Social Services *Annual Report 2011-12*, p. 6.

This audit examines the effectiveness of the Ministry's processes to place permanent and long-term wards in permanent homes.

The Ministry provides care for children requiring protection and out-of-home care. Children placed in out-of-home care can be either **wards** (temporary wards, permanent wards, or long-term wards) or **non-wards**. On behalf of the Minister, the Ministry assumes legal responsibility for **wards** and acts as a parent with the rights and obligations of a parent. **Non-wards** are those children who the Ministry helps to support without having legal custody of the child.

When children are no longer able to remain in their own home, their parents and the Ministry may enter into a voluntary agreement to have the child placed into the custody of the Minister. If the Ministry needs to intervene on a child's behalf, the Ministry can obtain a court order to place the child into the custody of the Minister. The Ministry expects that such children will only remain in its care temporarily and that most children will be able to return to the care of their families, extended families, or cultural communities (i.e., **temporary wards**).

Under *The Child and Family Services Act*, upon a protection hearing,[2] a court may issue an order permanently placing the child in the care of the Minister (i.e., **permanent ward**). Permanent wards generally have a limited continuing relationship with their birth parents. They may be registered for adoption, or placed in alternative homes such as long-term foster homes or homes of their extended families. At December 31, 2012, the Ministry had 593 permanent wards in its care. The average age of these children was nine years. Under its policy, the Ministry has 120 days from the date of a permanent court order to place such children on its adoption list, or to arrange for alternate plans.

The Ministry may determine that a child is unlikely to be adopted, by reason of the age of the child or other circumstances. In such cases, courts may order that the child be placed in in the custody of the Minister until the child attains the age of 18 years (i.e., **long-term ward**). Long-term wards may continue to have a relationship with their birth parents and cannot be registered for adoption. At December 31, 2012, the Ministry had 782 long-term wards[3] with an average age of 14 years in its care.

Figure 1 outlines the Ministry's process to find permanent homes for children.

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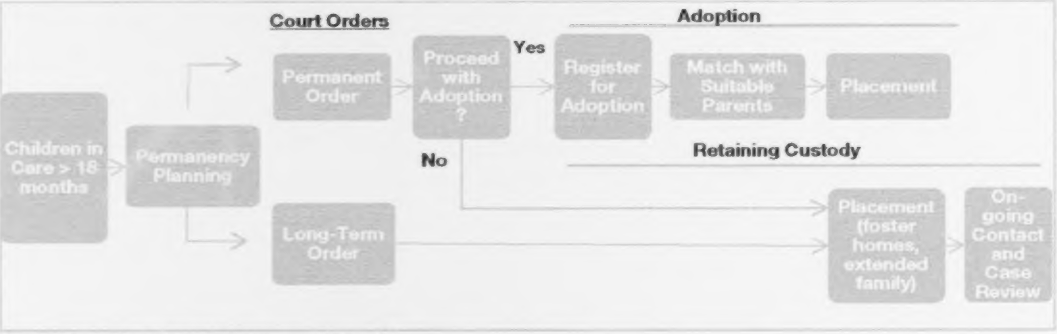
[2] A hearing held to determine whether a child is in need of protection.
[3] Ministry of Social Services Linkin System.

Figure 1— Ministry Process to Place Children in Permanent Homes


Court Orders
Adoption
Yes
No
Retaining Custody
Children in Care > 18 months
Permanency Planning
Permanent Order
Long-Term Order
Proceed with Adoption ?
Register for Adoption
Match with Suitable Parents
Placement
Placement (foster homes, extended family)
On-going Contact and Case Review

Source: Provincial Auditor Saskatchewan (April 2013)

The Ministry is responsible for planning for the long-term development of its wards, including placement in permanent homes that provide a safe and nurturing environment. Doing so provides a foundation for the Ministry's wards to grow to become productive and responsible members of their communities.

3.0 BACKGROUND

Providing child protection and planning for the needs of children in the Ministry's care is complex. It requires collaborative work in a number of areas including child and family services, adoptions, and the provincial courts.

The Ministry employs approximately 471 full-time equivalent positions, which includes positions such as case workers, permanency planners, and adoption workers to help ensure that the best interests of children in care of the Ministry are met.

Each child has a case file that contains case plans for the child, court orders, and other planning documents. These files are maintained manually. However, the Ministry has begun using the Linkin System[4] to move towards electronic case files. For example, case workers now include their contact notes within the Linkin System.

The Ministry provides child protection services through 20 service offices located in communities throughout Saskatchewan. It has grouped these offices into three service areas as shown in **Figure 2**.

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[4] Linkin is an information technology system used to assist the Ministry in monitoring and tracking children in care.

Figure 2—Location of Service Offices

Service Area	Service Offices		
South	- Regina	- Moose Jaw	- Yorkton
	- Weyburn	- Estevan	- Fort Qu'Appelle
	- Swift Current		
Centre	- Saskatoon	- Kindersley	- Rosetown
North	- Prince Albert	- Creighton	- La Ronge
	- Melfort	- Nipawin	- Lloydminster
	- Meadow Lake	- North Battleford	- Buffalo Narrows
	- La Loche		

Source: www.socialservices.gov.sk.ca/service-delivery (12 April 2013)

At December 31, 2012, the Ministry was responsible for planning for the long-term needs (i.e., permanency planning) and finding permanent homes for approximately 1,400 permanent wards and long-term wards. Selected permanent homes must provide these children with suitable, stable, and nurturing environments. The Ministry can find a permanent home for its wards in either of the following two ways:

- Register wards for adoption and transfer custody to suitable adoptive parents after adoption occurs
- Retain custody of those wards who won't be adopted and continue the existing long-term placement of the child in a stable home (e.g., foster home, group home, or extended family placement)

Adoption

At December 31, 2012, the Ministry had 100 **permanent wards** registered for adoption. The average age of those children registered for adoption was eight years old.[5] **Figure 3** and **Figure 4** outline the historic trend of adoptions.

The Ministry supports the adoption of **permanent wards** through its Domestic Adoption Program. The Ministry attempts to match a permanent ward with suitable adoptive parents. The Adoption Support Centre of Saskatchewan, a non-profit third-party organization provides adoption information and refers prospective parents to the Ministry. Prospective adoptive parents must then apply to the Ministry, meet specified criteria, and pass a home study assessment where the Ministry evaluates parents' suitability.

If children being adopted have special needs (e.g., health needs, developmental needs), the adoptive parents may receive financial support to assist them in meeting the child's needs. This is done through the assisted adoption program. Adoptive parents in assisted adoptions receive about $3.35 million a year.

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[5] Saskatchewan Ministry of Social Services Central Adoption Registry database.

Figure 3—Children Registered for Adoption During the Previous Five Fiscal Years

March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012
87	89	129[6]	138[6]	85

Source: Ministry of Social Services Central Adoption Registry database

Figure 4—Children Placed for Adoption During the Previous Five Fiscal Years

March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012
71	62	104	64	74

Source: Ministry of Social Services Central Adoption Registry database

Retaining Custody

Long-term wards and **permanent wards** (who are not registered for adoption) remain in the care of the Minister and are placed in foster homes, with extended families, or in group homes. These wards remain in care until they turn 18 years old, or until they turn 21 years old if they enter into a voluntary agreement with the Ministry to continue supporting them. **Figure 5** outlines the historical trend of long-term wards and permanent wards.

Each year, the Ministry conducts a review of all long-term wards and permanent wards and updates the child's permanency plan as needed.

Figure 5—Five-Year Comparison of the Number of Permanent and Long-Term Wards

Year	Permanent Wards	Long-Term Wards	Total
December 31, 2008	499	975	1,474
December 31, 2009	541	929	1,470
December 31, 2010	576	884	1,460
December 31, 2011	611	815	1426
December 31, 2012	593	782	1,375

Source: Ministry of Social Services Linkin System

During 2011-12, the Ministry provided approximately $42 million to foster parents and caregivers to provide for the needs of permanent wards and long-term wards in its care.

4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of the Ministry's processes to place Minister's wards in permanent homes (long-term homes and adoptive homes) for the period from July 1, 2012 to December 31, 2012.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. We examined the Ministry's policies and procedure manuals, case files of children in care for more than 18 months, and other relevant documents. We also interviewed key managers and staff of the Ministry.

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[6] The number of children registered for adoption increased in these two years because management took corrective action to address a backlog in adoption registrations.

To evaluate the Ministry's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. Management agreed with the criteria in **Figure 6**.

Figure 6—Audit Criteria

To have effective processes to place Minister's wards in permanent homes (long-term homes and adoptive homes), the Ministry of Social Services should:

1. **Plan for the permanent needs of children in care of the Minister**
    - 1.1 Develop policies and procedures to guide the placement of children into permanent homes
    - 1.2 Set requirements for permanent categories for children (e.g., adoption, long term placement)
    - 1.3 Set performance measures and targets
2. **Determine if children will be registered for adoption or remain in care of the Minister**
    - 2.1 Determine when children will remain in care of the Minister (e.g., when wards of the Minister will not return to their birth families)
    - 2.2 Develop permanency plan for each child who is in care for over 18 months
    - 2.3 Identify children who may be registered for adoption and initiate processes to establish as permanent wards within prescribed times
    - 2.4 Identify children who will not be registered for adoption as long-term or permanent wards
3. **Select adoptive homes for permanent wards**
    - 3.1 Assess suitability of adoptive parents
    - 3.2 Match children registered for adoption with approved parents
    - 3.3 Assess needs of children to determine eligibility for assisted adoption program
4. **Select suitable homes for long-term and permanent wards (who will not be registered for adoption)**
    - 4.1 Assess suitability of homes for long-term and permanent wards in care of the Minister
    - 4.2 Match long-term and permanent wards in care of the Minister with suitable homes
    - 4.3 Regularly review conditions of long-term and permanent wards in care of the Minister
5. **Monitor performance**
    - 5.1 Collect information relevant to performance measures
    - 5.2 Analyze information
    - 5.3 Address complaints and concerns
    - 5.4 Report on performance measures and targets

We concluded that the Ministry of Social Services had effective processes to place Minister's wards in permanent homes for the period from July 1, 2012 to December 31, 2012 except for the following.

The Ministry needs to:

- **Complete and approve policies and procedures for its adoption program including those for addressing complaints or appeals**
- **Follow its established policies and procedures to formally document the permanency plans in place for permanent wards and long-term wards**
- **Place children on the adoption list within 120 days as required by the Ministry's policies**
- **Set performance measures and targets for its adoption program**
- **Begin collecting and analyzing information related to the outcomes of its services for long-term wards and permanent wards in its care**

5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out our findings and recommendations for the criteria in **Figure 6**.

5.1 Some Improvements Needed for Planning for the Permanent Needs of Children in Care

5.1.1 Policies and Procedures in Place for Permanent and Long-Term Wards but More Adoption Program Guidance Needed

The Ministry has a Children's Services Manual (Manual) that sets out policies and procedures to plan for and support the well-being of children in the care of the Ministry, including permanent wards and long-term wards. The Ministry regularly updates the Manual and ensures it is consistent with *The Child and Family Services Act*.

The Manual gives staff guidance for when and how to determine if children in care are unlikely to return to their birth families and will need a permanency plan. The Manual also includes forms and checklists to help guide staff. For example, staff are required to complete the Long-Term/Permanent Ward Form when planning for the permanency needs of a child in care. This Form is also used for the annual review of each child in care. It takes into consideration such things as placement history, current placement, and the special needs of the child. It also documents consultations with birth parents, extended families, First Nations bands, First Nations child and family services agencies, and foster homes, as appropriate.

The Ministry does not have a comprehensive (consolidated) policy manual for adoptions. The Manual provides some guidance to staff in areas such as registering children for adoption, the adoption selection process, the adoption placement process, and assisted adoption. The Ministry also has the Adoption Services Policy and Procedures Manual. It provides guidance on assessing applicants and finalizing adoptions. The Ministry did a complete update on this manual in 1997. After 1997, the Ministry distributed new policies or revisions to policies to the adoption workers as required. For example, in 2009, the policies relating to assessment of prospective adoptive parents were distributed. The Ministry is currently in the process of drafting a new comprehensive adoption policy manual.

Adoption of children is a specialized program area that deals with placing vulnerable children in permanent homes that will provide a safe, healthy, and nurturing environment. Lack of clear and documented policies and procedures increases the risk of inconsistent practices relating to the placement of permanent wards in adoptive homes.

1. **We recommend that the Ministry of Social Services complete and approve the new adoption policy manual to guide staff on its adoption program for children who are permanent wards of the Minister.**

5.1.2 Requirements for Permanent and Long-Term Wards in Place

The Ministry has set requirements for permanent and long-term wards. In the Manual, the Ministry explains the distinction between these two types of wards. For children to be designated as permanent wards or long-term wards, staff need to obtain one of two types of court orders that put children in the care of the Minister until their 18th birthday (see **Figure 1**). A permanent order allows the Ministry to place the child for adoption. However, in the case of long-term wards, the Ministry does not have the right to place the child on its list to be adopted.

Because of this distinction, the Ministry requires staff to obtain long-term orders only after other permanency plans have been explored and an adoption plan is unlikely due to an individual child's age or other considerations.

5.1.3 Need to Develop Measures and Targets

The Ministry monitors and tracks the number of children in care as well as children in alternate placements ("non-wards") in its care on a quarterly basis by using its information technology system called Linkin.

The Ministry also tracks various statistics relating to adoptions through a separate electronic database. However, it has not established performance measures and targets for its adoption program.

Other jurisdictions have set performance measures and targets. For example, in Alberta, the Department of Human Services tracks the number of permanent wards who have been adopted and compares this number to an established target.[7] In the United Kingdom, the Department for Education tracks the percentage of its children in care who are adopted.[8]

Without setting performance measures and targets relating to adoption of permanent wards of the Ministry, the Ministry cannot evaluate the effectiveness of its adoption program. Such performance measures and targets could include those related to permanency planning, adoption planning, and matching children with prospective adoptive parents.

2. **We recommend that the Ministry of Social Services develop performance measures and targets relating to the adoption program for its permanent wards.**

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[7] Alberta, Department of Human Services. *Annual Report 2011-12.*

[8] www.education.gov.uk/childrenandyoungpeople/families/adoption/a00199753/children-in-care-and-adoption-performance-tables. (12 April 2013).

5.2 Processes in Place for Determining if Children will be Adopted or Remain in Care

5.2.1 Children's Options Reviewed

When a child has been in the Ministry's care for more than 18 months cumulatively,[9] staff are required to review the child's case plan and develop a permanency plan. These permanency plans are meant to provide children with the best opportunity to have a permanent, stable home environment. Permanency planning may include continuing attempts to reunite children with their families (if the family is demonstrating improvement in their ability to care for the child), or pursuing court orders for permanent or long-term custody of the child.

The Linkin System prompts permanency planning for a child by sending a reminder to the caseworker responsible for the child. The caseworker then reviews the child's case file and begins permanency planning.

5.2.2 Need to Consistently Complete Permanency Plans and Clearly Document Rationale for Decisions

Permanency plans for children are part of the children's case plans and annual reviews. The forms used for case planning and annual reviews include a specific section for permanency planning. These forms also require updated information about extended family, history of the Ministry's contacts with the child, and the child's developmental needs.

In all of the files we reviewed, we found that Ministry staff were planning for the needs of children in their care and maintaining contact with them to ensure that their best needs were being met. However, in 20% of the files we reviewed, permanency plans were not formally documented. Some case files indicated that the permanency plans were documented elsewhere in the files, (e.g., in the Family Reunification Assessment),[10] but such documents were not always present in the case files. In some other case files, the permanency plans were only identified throughout the caseworkers' contact notes. Management agreed that these permanency plans should be formally documented in each child's case file.

If a child's situation calls for immediate action (such as an emergency), a readily-accessible and documented permanency plan can help staff and managers react in a timely and appropriate manner. An up-to-date permanency plan allows for staff and managers unfamiliar with the file to make decisions without reading through many other documents. Caseworkers should document the permanency plan for each child in care and place the plan in the child's case file to facilitate consistent case planning. Absence of properly documented permanency plans increases the risk that children may not be placed in a long-term, stable home environment for an extended period. We did not find any examples of children who were placed in inappropriate homes.

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[9] For example, if a child was to be in foster care for a period of six months, returns to his or her family's care for a period, and then returns to care for an additional 12 months, the Ministry would be required to develop a permanency plan for the child.

[10] The Family Reunification assessment is a risk-based decision-making tool used by staff to determine the risk associated with reuniting a child (or children, in the case of sibling groups) with their family.

3. We recommend that the Ministry of Social Services consistently document the permanency plan for each child in care and place the plan in the child's case file.

We found that the Ministry began permanency planning and initiated the process to make children permanent or long-term wards (e.g., seeking court orders). However, in 37% of the case files we reviewed, the decision to pursue a permanent or long-term court order was not clearly documented at the time of the decision. For example, some case files indicated that the Ministry had begun to pursue permanent or long-term court orders for children, but the case files did not document when and why this decision was made.

While we found that all case files we reviewed contained the rationale for the child's permanency order, the decision was not always clearly documented in a consistent manner in the child's case file. The Ministry maintains manual case files, with information often not in any order. Because of some poorly-kept case files, we could not determine how long it took the Ministry to determine that a child was unlikely to return to the family and the eventual court order for permanent or long-term custody.

As stated in **Section 3.0**, the Ministry has begun to implement its Linkin file management system. Currently, documentation of caseworkers' interactions with children (i.e., contact notes) are stored in Linkin. In the future, the Ministry plans to use Linkin to store additional documentation (e.g., checklists, forms) and move towards an electronic case file for each child.

Clearly documenting the rationale for decisions in a consistent manner will allow the Ministry to monitor whether caseworkers make timely decisions and whether their decisions follow the established policies.

4. We recommend that the Ministry of Social Services clearly document the rationale for its decisions to seek permanent or long-term custody of children at the time of the decision.

5.2.3 Need to Place Children on the Adoption List Within 120 Days

The Ministry's permanency plans for children include a decision as to whether a child will be registered for adoption (i.e., placing the child on the adoption list). As stated earlier, when the Ministry determines that adoption may be in the best interest of a child, and that the child is likely to be adopted, it pursues a permanent custody court order.

According to the Ministry's established policies, a caseworker must decide within 120 days[11] of a child becoming a permanent ward whether the child will be placed on the adoption list or in long-term foster care. Placing children on the adoption list in a timely manner is important so children can be matched with suitable families as soon as possible.

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[11] Previously, the Ministry's policies required that permanent wards be registered within 90 days. This was increased to 120 days in September 2011.

In 83% of the case files that we reviewed, children had not been placed on the adoption list within 120 days. The majority of the delays ranged from 51 days to over one year late. 57% of these case files had explanations for the delay (e.g., complex legal issues including appeals against court orders; the preparation and approval of the foster families that were going to adopt the child). In the remaining 26% of the cases, the files did not contain any explanation for the delays.

In one case, the Ministry took three years to place a child on the adoption list and the file contained no documentation explaining the reasons for this delay. Management stated that prior to 2010, a backlog in adoption registrations caused delays in having permanent wards registered for adoption. The Ministry took corrective action to address this backlog and the result was a high number of children being registered for adoption in 2010 and 2011 (see **Figure 3**).

In cases where children were not registered within 120 days, they remained as permanent wards in the care of the Minister and continued to be placed in homes (e.g., foster homes) in accordance with their identified needs.

Children are less likely to be adopted as they grow older. Delays in placing permanent wards on the adoption list could negatively impact the likelihood that older children find stable adoptive homes.

5. **We recommend that the Ministry of Social Services follow its established policy to place those children whose permanency plans includes adoption on the adoption list within 120 days.**

5.2.4 Children Who Will Remain in Ministry's Care are Identified

Upon completion of each child's permanency plan, the Ministry pursues court orders for the custody of the child either as a permanent ward or a long-term ward. The Ministry determines what is in the best interest of the child (e.g., place the child on the adoption list or in a long-term foster home) and seeks the corresponding court order (see **Figure 1**).

In all the case files that we reviewed, we found each file included the specific court order.

5.3 Adoptive Homes Selected Appropriately

5.3.1 Suitability of Prospective Adoptive Parents Assessed

Once permanent wards are placed on the adoption list, the Ministry begins the process of matching them with suitable adoptive parents.

Individuals or couples interested in adopting children are first given information by the Adoption Support Centre of Saskatchewan, a non-profit third-party organization. It provides adoption information and refers prospective parents to the Ministry. Prospective parents are then required to submit an application to the Ministry outlining their competencies as prospective parents as well as their openness to adopt children of different ages, sexes, histories, and with possible health challenges.

Adoption workers of the Ministry assess the applicants. They do so by conducting a home study for assessing the prospective adoptive parents' suitability and ability to provide a child with a stable, safe, nurturing home. The prospective adoptive parents must also complete a training program called Parent Resources for Information, Development and Education (PRIDE). This program includes a number of training modules totalling about 100 hours of instruction and provides ongoing support and professional development for approved adoptive families. Prospective parents must also provide supporting documentation, such as criminal record checks, to demonstrate their suitability as adoptive parents. After prospective parents have demonstrated their suitability to adopt a child, adoption workers approve them.

For 100% of the files we reviewed in the Central Adoption Registry (CAR), we found that the Ministry had documented the assessment of prospective adoptive parents and properly approved their suitability as adoptive parents.

5.3.2 Children Matched with Prospective Adoptive Parents

The Ministry attempts to match children on the adoption list with prospective adoptive parents who have been approved to adopt children. It does this matching based on the needs of the child and the willingness and ability of prospective adoptive parents to care for the child in a way that meets those needs.

Once the adoption workers of the Ministry have determined that prospective parents are ready to adopt, they forward this information to the Central Adoption Registry (CAR) at the Ministry's central office. Staff at CAR enter the parents' information into the database. CAR staff search the CAR database for parents who match the needs of a child on the adoption list and print a list of prospective parents. CAR staff send this list to the child's caseworker. The caseworker, together with an adoption worker, determines which, if any, of the selected parents are suitable adoptive parents for the child.

If a proposed set of parents is deemed suitable by the caseworker and the adoption worker, they indicate their selection and rationale to CAR and the process to place the child in the home is initiated.

In all of the files we reviewed, we found that the matching process had used the needs of the children to select suitable parents within a reasonable period, and that the process had been appropriately documented.

5.3.3 Eligibility of Children for Assisted Adoptions Assessed

Eligibility for the assisted adoption program is based on the needs of the child. When a child is placed on the adoption list, caseworkers indicate if the child is eligible for assisted adoption based on the child's needs (e.g., physical, mental, or emotional needs).

After a child has entered the adoption process, adoption workers fill out an additional form that designates the child officially eligible for assisted adoption, outlining the child's needs as rationale.

In all of the case files that we reviewed, caseworkers had completed and filed all of the required documents.

5.4 Improvements Needed to Plan for and Support Wards Who Are Not Listed for Adoption

5.4.1 Wards are Matched with Suitable Homes but Homes Need to be Assessed Regularly to Comply with Standards

Children who are not placed on the adoption list remain in the care of the Minister. Some children may not be placed on the adoption list because of their age or their unwillingness to be adopted.

The Ministry does not have specific homes for long-term wards or permanent wards who will not be adopted. Rather, staff attempt to place these wards in stable homes (e.g., foster homes, extended family, or group homes) that will continue to support their needs on a long-term basis. These homes are subject to the approval process of the Ministry that includes the same home studies and PRIDE training process required for adoptive parents.

The Ministry has established rules and procedures (standards) to protect children in the care of the Minister. On a yearly basis, the Ministry's quality assurance group monitors compliance with the child protection standards and assesses how well Ministry staff comply with these standards. For example, as part of this work, the quality assurance group assesses whether or not Ministry staff are reviewing foster homes on an annual basis.

As we reported in our *2012 Report – Volume 2*, Chapter 24, the Ministry needs to follow its processes to ensure that children in care are protected. For example, the Ministry's quality assurance group found that in 2011-12, on average, caseworkers were annually reviewing foster homes only 56% of the time.[12] The Ministry needs to annually review foster homes to ensure that the homes in which long-term and permanent wards are living continue to be safe and suitable.

5.4.2 Children's Conditions Reviewed Regularly

Caseworkers perform annual reviews for each child in long-term care using a standard form. The annual reviews consist of documenting information about the child (e.g., placement history, current placement, special needs of the child, and any consultations with family, First Nations bands, or foster parents). The caseworker then includes a permanency plan update on the form. For all the case files that we reviewed, we found that staff carried out annual reviews for the children. Caseworkers also documented their regular contact with long-term and permanent wards. However, as we noted in **Section 5.2.2**, in some of these cases, the permanency plan was not always formally documented within each child's case files.

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[12] Updated information not available as the Ministry of Social Services is currently reviewing its files for 2012-13.

For all of the files we reviewed, caseworkers documented their regular contact with long-term and permanent wards to show whether homes were meeting the needs of wards on an ongoing basis. The files also documented that caseworkers regularly monitored children's performance in school, health conditions, and their relationships with their caregivers and, if applicable, their birth families.

5.5 Monitoring Performance Could be Improved

5.5.1 Collecting, Analyzing, and Reporting Information

As we note in **Section 5.1.3**, the Ministry collects information on the number of children in care and the number of children who have been placed into alternate care. It reports this information, on a quarterly basis, on the Ministry's website.[13] The Ministry also tracks the number of children placed on the adoption list, the number of children adopted, and other volume-based information. This information is compiled on a quarterly basis and reported to senior management in the service areas.

The Ministry does not currently collect information relating to the outcomes for children in its care, such as academic achievement or interactions with the criminal justice system. By tracking outcomes for children in its care, the Ministry would be able to determine whether the services it is providing for children in its care are meeting their best interests. The Ministry must begin collecting baseline information now to make this assessment in the next many years. This will include working with other ministries, such as the Ministry of Education and the Ministry of Justice.

We note that in British Columbia, the government tracks the educational outcomes of children in permanent care (e.g., whether children in care are enrolled in age-appropriate school grades).[14] The Ministry stated that as it continues to implement the Linkin file management system, it plans on collecting such outcome-based data.

6. **We recommend that the Ministry of Social Services collect and analyze information related to the outcomes of its services to long-term wards and permanent wards in its care.**

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[13] www.socialservices.gov.sk.ca/children-first (12 April 2013).

[14] www.mcf.gov.bc.ca/foster/pdf/education_report_dec_2012.pdf (22 April 2013).

5.5.2 Complaints and Appeals Process Needed for the Adoption Program

The Ministry has established processes to investigate complaints of neglect or abuse of children in the care of the Minister. The Children's Services Manual provides caseworkers and supervisors clear guidance to follow when initiating and conducting such investigations. Complaints of suspected neglect or abuse can also be referred to the Children's Advocate's Office. The files we reviewed showed that the Ministry appropriately investigated reported complaints and documented decisions. The Ministry's central office monitors these investigations by receiving final investigation reports and maintaining a database of investigations.

The Ministry does not have established policies and procedures for dealing with complaints or appeals in its adoption program. While foster parents who disagree with a decision of the Ministry have an established appeal mechanism they may pursue, prospective adoptive parents do not have any such mechanism. In **Section 5.1.1**, we recommend that the Ministry implement an adoption policy manual. As part of this policy manual, the Ministry should include provisions for complaints and appeals. Management indicated that they plan on implementing a system for addressing complaints and appeals for the adoption program that will be similar to its complaints and appeals mechanism for children in care.

7. **We recommend that the Ministry of Social Services implement a formal complaints and appeals mechanism for its Domestic Adoption Program.**

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Chapter 15

Protecting the University of Regina's Research

1.0 MAIN POINTS

The University of Regina (University) was established pursuant to *The University of Regina Act* as a non-profit educational organization. Research is one of the core functions of the University. Research also plays a pivotal role in the University's ability to carry out its other core function, education, since a strong research program helps to attract qualified professors, which in turn attracts students.

The University's research mission is to "use the exceptional talents of research scholars – professors and students – to extend the boundaries of human knowledge and to use these discoveries to understand and resolve present and future challenges to humanity and the environment."[1] To fulfill its mission, the University must effectively protect its interests as it fosters research and commercialization of research. Effective protection of interests arising out of research should contribute to the success of the University, its academic staff, and students.

This audit examined the effectiveness of the University's processes to protect its interests (e.g., financial, reputational, ownership) as it fosters research and commercialization of research. We focused on the University's processes to identify and participate in research initiatives. We did not audit the financial administration of research funds.

We concluded that as of March 31, 2013, while the University of Regina had many structures and processes in place intended to protect its interests (e.g., financial, reputational, ownership) as it fostered research and commercialization of research, these structures and processes could be improved. The University needs to focus on improving its processes for oversight, updating policies and procedures, evaluating risks and benefits of research initiatives, and monitoring compliance.

In this chapter, we describe the key findings for our audit and make 26 recommendations to the University.

2.0 INTRODUCTION

The University of Regina (University) was established pursuant to *The University of Regina Act* as a non-profit educational organization. It provides post-secondary education and conducts research.

The University's mission includes the production of "innovative research and scholarship to expand human knowledge and support social, environmental, and economic development."[2] The research mission of the University of Regina is to "use the exceptional talents of research scholars – professors and students – to extend the boundaries of human knowledge and to use these discoveries to understand and resolve present and future challenges to humanity and the environment." The University's Strategic Research Plan 2010–2015 outlines the importance of research and the University's intent to foster commercialization of research and communicate research achievement to benefit citizens of Saskatchewan, Canada and the world.[3]

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[1] University of Regina, Strategic Research Plan 2010-15, p. 3.

[2] University of Regina, *Annual Report 2011-12*, p. 4.

We audited whether the University had effective processes to protect its interests (e.g., financial, reputational, ownership) as it fosters research and commercialization of research. In evaluating the University's protection, we focused on the University's processes to identify and participate in research initiatives. We did not audit the financial administration of research funds.

3.0 Background—The Importance of Research

Research is one of the core functions of the University of Regina. Research also plays a pivotal role in the University's ability to carry out its other core function, education, since a strong research program helps to attract qualified professors, which in turn attracts students.

Research is crucial in the careers of academic staff/researchers (hereafter referred to as academic staff). Academic staff are expected to spend a large proportion of their time – as much as teaching – in conducting research. The research dollars that academic staff can attract through grants from funding agencies or contracts from companies is regarded as a key indicator of their performance as well as confirmation that they are doing valuable research. The amount and quality of research that this funding permits academic staff to engage in, together with publication of research results, are key factors in whether academic staff are tenured and promoted.

The many forms that research can take, and the many paths to development of innovations – including collaboration with other academic institutions, commercial ventures, or governments – present risks that must be managed. As the University carries out research activities and identifies and pursues opportunities to commercialize research, it is important that it protects its interests. Just as the University must adequately manage its physical assets, so must it manage its intangible assets, including its interests arising through research.

Effective protection of interests arising out of research should contribute to the success of the University, its academic staff, and students. The impact of ineffective processes to protect interests in research could be significant. Inadequate protections would lessen the University's ability to deliver on its stated research mission. The University could risk loss of reputation, a diminished ability to recruit academic staff or engage in collaborations, a diminished ability to attract research funding, and loss of potential earnings that could have been achieved through commercialization. Ineffective control over research knowledge and protection of its related interests could negatively impact the University's core functions and reputation.

The Government of Saskatchewan (Government) is a key funder of the University of Regina, providing core funding for the University's operations as well as providing funding directed at research initiatives. The University recorded $22.9 million of research revenue in 2011-12, including $2.8 million from the Government of Saskatchewan.[4] The Government appoints five out of eleven members on the University's Board of Governors.

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[3] University of Regina, Strategic Research Plan 2010-2015, p. 3.

4.0 ORGANIZATIONAL STRUCTURES AND SUPPORTS FOR RESEARCH

The University of Regina Act (Act) establishes the governance structure of the University, including the Board of Governors and the Senate. The Senate is responsible for making academic decisions for the University, which may include research as it relates to academic programs. The Senate's decisions that may have a significant financial impact for the University must be approved by the Board of Governors. The Senate may consider recommendations from the Council (a large, diverse advisory body representing management, faculty, students, and other interested parties identified by the Act). Until recently, the Council had not met in over 20 years. Council has delegated its authority to the Executive of Council (a representative body of the Council). A subcommittee of the Council, called the Council Committee on Research,[5] provides advice to the Vice-President (Research) on the University's research policies, allocation of block research funding, and changes to research institutes, and guides the development of the University's Strategic Research Plan. See **Exhibit 8.1** for a diagram of the University's overall governance structure.

The University's Board of Governors is responsible for general oversight of the University, including administration (e.g., management of the University's finances and property). The Board of Governors delegates the management of the University's operations, including research, to the President. Under the direction of the President, the Vice-President (Research) is responsible for providing overall leadership in developing and promoting the University's research, scholarly, and artistic work activities and in increasing research intensiveness and performance.[6] The deans of the University's faculties,[7] who play a key role in support and oversight of research performed by academic staff, report to the Vice-President (Academic). See **Exhibit 8.2** for a diagram of the University's research reporting relationships and accountabilities related to our audit.

It is an expectation of the University that academic staff will obtain research funding and perform research. Research occurs in many different ways. Research takes place within the various faculties at the University and also in collaborative efforts between academic staff, faculties, or universities. Research takes place within formal management structures (e.g., a research institute[8] with a constitution) and in less structured ways (e.g., an individual academic staff member with a grant from a funding agency or a contract to do research for a private sector company).

Research institutes help universities to support collaboration of academic staff both internally and externally, which can help to generate the significant funding required to complete larger research projects. Institutes also use a management structure that can help the University to oversee its research projects.

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[4] University of Regina, *Annual Report 2011-12*, p. 24.

[5] This committee was previously called the President's Research Council and is responsible for advising Executive of Council on all matters related to University research activities.

[6] University of Regina Vice-President (Research) job description.

[7] Faculties are academic and administrative divisions within the University in specific subject areas, such as Arts, Business Administration, and Engineering and Applied Science.

[8] The University uses *institute* and *centre* interchangeably.

The University uses what it calls Type I institutes to pursue areas of research that are of overall strategic importance to the University. Type I institutes are intended to manage cross-disciplinary collaboration. The Board of Governors' approval is required for the creation of a Type I institute. The Board of Governors approves an institute's purpose, funding sources, and management structure (e.g., a management board). Generally, a management board is established to oversee the Type I institute. A director who is appointed by and reports to the Vice-President (Research) manages the administration of a Type I institute including any administrative staff assigned. At the time of our audit, the University had 12 Type I institutes (see **Exhibit 8.3**).

Individual faculties may use what the University calls Type II institutes to bring together academic staff with a common interest in a specific research area or topic. Faculties may also create "other" institutes[9] to encourage collaboration among academic staff. The dean of a faculty approves the creation of institutes that are managed within that faculty. At the time of our audit, the University indicated that there were 7 Type II institutes and 13 "other" institutes (see **Exhibit 8.3**).

The University also supports research in other ways. The Office of Research, Innovation and Partnership[10] is the University's central research office that provides administrative support to all faculties for obtaining research funding, partnering with external organizations, and managing intellectual property[11] and commercialization[12] of intellectual property. The Vice-President (Research) is responsible for this Office.

The University's research initiatives take a number of forms. The University provided us with lists of its research agreements and initiatives as of March 31, 2013, which include at least:

- 300 research grant agreements (e.g., from federal government, provincial government)
- 100 research contracts (e.g., to conduct specific research on a fee-for-service basis for governments or corporations)
- 70 research partners (e.g., partnerships with other universities or corporations that are managed through agreements)
- 19 intellectual property files (including 109 patents and various agreements with University staff and external companies related to commercialization)[13]

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[9] These may be called institutes, centres, laboratories, units or groups.

[10] The Office of Research, Innovation and Partnership was formed in 2012. It combined the University Industry Liaison Office and the Office of Research Services into one office. The Vice-President (Research) was responsible for the former University Industry Liaison Office and Office of Research Services.

[11] The Canadian Intellectual Property Office defines intellectual property as legal rights that result from intellectual activity in the industrial, scientific, literary and artistic fields. Patents, trademarks, copyrights, and industrial designs are examples of specific rights regarding intellectual property. www.cipo.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/h_wr00331.html (5 May 2013).

[12] Commercialization of intellectual property means using the intellectual property to make money (i.e., through using the intellectual property to develop a product or service that has commercial value, or selling or licensing the intellectual property to someone else for that purpose).

[13] Insufficient controls exist for us to verify the completeness of this list. Grants, contracts, and partnership agreements are examples of research agreements.

The University may create companies to manage research. The Board of Governors approved a policy in December 2010 that requires the Board to approve the creation of new University companies. Prior to 2010, there were instances where the Board of Governors had not approved the creation of such companies. Since January 2011, the Board of Governors has not approved the creation of any University companies. The University also may appoint representatives to serve as directors on the boards of external organizations where it has research interests.

The diversity of research opportunities and the multitude of management processes available is very broad, so the University must have strong processes to protect its interests.

5.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether the University of Regina had effective processes at March 31, 2013 to protect its interests (e.g., financial, reputational, ownership) as it fosters research and commercialization of research.

We examined the University's governance processes, strategic plans, policies, and procedures that relate to having effective processes to protect its interests as it fosters research and commercialization of research. We examined central administrative supports, processes, and documents. We examined selected institutes, research agreements, partnership agreements, contracts, intellectual property files, and University appointments of directors on boards of external organizations. We interviewed academic and administrative staff. We did not audit the financial administration of research funds.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate the University's processes, we used criteria based on the work of other auditors, our Office, and current literature. Management and our Office worked together to develop the criteria and agreed that the criteria were appropriate (see **Figure 1**).

Figure 1—Audit Criteria

To protect its interests (e.g., financial, reputational, ownership) as it fosters research and commercialization of research, the University of Regina must:

1. **Have an accountability framework**
    - 1.1. Require appropriate governance structure
    - 1.2. Have appropriate policies
2. **Make informed decisions on whether or how to participate in research initiatives**
    - 2.1. Identify significant research and proposals
    - 2.2. Evaluate risks
    - 2.3. Document selected approach and assumption of residual risk
3. **Determine strategies to protect interests**
    - 3.1. Evaluate approaches (e.g., agreements, registrations, board representation)
    - 3.2. Document selected approaches and assumption of residual risk
    - 3.3. Implement selected approaches
4. **Monitor research interests**
    - 4.1. Maintain inventory (e.g., of research, potential projects, agreements, intellectual property)
    - 4.2. Evaluate performance (e.g., research programs, intellectual property)
    - 4.3. Evaluate compliance with requirements (e.g., policies, agreements)
    - 4.4. Require reporting to Executive and Board of Governors

We concluded that as of March 31, 2013, while the University of Regina had many structures and processes in place for protecting its interests (e.g., financial, reputational, ownership) as it fostered research and commercialization of research, these structures and processes could be improved.

6.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out our key findings along with related recommendations. See **Section 7.0** for a summary list of the recommendations.

6.1 Evolving Accountability Processes

6.1.1 Improved Oversight of Research Needed

The Vice-President (Research) is responsible for overseeing research at the University, under the direction of the President. Research is expected to be a major part of the regular duties of academic staff and is carried out widely throughout the University. The Associate Vice-President (Research), the directors of Type I institutes, the Dean of the Faculty of Graduate Studies and Research, and the Director of the Office of Research, Innovation and Partnership are involved in the central facilitation of research and report directly to the Vice-President (Research).

Deans of faculties manage research in their respective faculties, including Type II and "other" institutes, and report to the Vice-President (Academic). Since deans do not report directly to the Vice-President (Research),[14] it is important that adequate communication occurs between the two vice-presidents who each manage research activities. Since 2005, five different people have acted in the capacity of Vice-President (Research) and four different people in the capacity of Vice-President (Academic). This high turnover has created difficulties with adequate oversight of research and consistent communication between the two vice-presidents.

1. **We recommend that the University of Regina assess whether its organizational structure is effective to support the achievement of its strategic research goals and make any necessary changes.**

The University expects staff to use the Office of Research, Innovation and Partnership to help manage risks related to research, but has not documented this expectation in policy. This Office seeks to ensure that agreements (e.g., with funding agencies or private companies hiring research services) include requirements that will protect the interests of the University and its academic staff. However, we observed several examples where staff, faculties, or institutes were not using this Office to create or review their research agreements.

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[14] The only exception is the Dean of the Faculty of Graduate Studies and Research who reports directly to the Vice-President (Research).

2. We recommend that the University of Regina document in policy and enforce its requirement to centrally manage all research agreements to protect its interests in research.

6.1.2 Expectations Not Clear

The University's Strategic Plan 2009–2014 sets out the goals and objectives for the entire University. This plan includes promoting and rewarding the pursuit of research and fostering research partnerships. The University's *Annual Report 2011-12* reported information about research funding received compared to targets. While the amount of funding obtained from funding agencies and for contracts is one indication of success, other indicators are also needed to fully analyze the success of the University's research strategies.

The University's Strategic Research Plan 2010–2015[15] builds on the University's Strategic Plan 2009–2014 and sets the mandate for research at the University. The Strategic Research Plan includes the following four goals for research:

- Encourage, nurture, promote, and sustain excellence in all aspects of research
- Foster and support signature themes of research that have demonstrated and sustained excellence
- Provide the needed space, infrastructure, and administration to support excellence in research
- Demonstrate the relevance of pure and applied research to the community

The Strategic Research Plan includes high-level strategies for each goal, but does not include action plans or performance measures and targets. The University does not describe how it intends to actualize its Strategic Research Plan or how it will know if it is successful in its research activities.

Based on our discussions with academic and administrative staff at the University, this plan was intended to drive the research operations of the University, but instead is primarily used for public relations and to support funding requests. Lack of clear expectations (including the absence of performance measures and targets) and poor communication of the Strategic Research Plan with University academic staff may have contributed to poor adoption of the plan.

Organizations require carefully selected indicators that balance quantitative and qualitative information to permit a full and accurate analysis of performance. For example, the University could analyze how often its research is cited by others as an indication of the impact of its research.[16] The University could also consider measures used by other Canadian universities to help it develop its own measures (e.g., the number of graduate students involved in research). The University should engage its staff in the development of meaningful performance measures and targets that will indicate whether the University is delivering on strategic goals and objectives.

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[15] The Strategic Research Plan was created by the Vice-President (Research)'s Office and approved by Executive of Council on February 23, 2011.

[16] We were shown examples of such measures by the then Associate Vice-President (Research).

3. **We recommend that the Board of Governors of the University of Regina receive and review regular reports on the University's Strategic Research Plan.**

4. **We recommend that the University of Regina prepare action plans for review by the Board of Governors to support the University's strategic research direction.**

5. **We recommend that the University of Regina prepare more detailed performance measures and targets for approval by the Board of Governors to support measurement of progress towards the University's research goals.**

The University has an Enterprise Risk Management Policy that is intended to ensure risk management is an integral part of all university activities and a core capability.[17] The University has set out a framework for identifying risks and controls to reduce those risks to an acceptable level. The process is intended for use at the University level, the faculty/administrative branch level, and by individual staff members. All staff have responsibility for managing risks as part of their daily activities. An administrative staff member of the University coordinates the risk processes and reports regularly to the Audit and Risk Management Committee of the Board of Governors.

The University identified several risk areas in 2012-13 that impact research. It also identified strategies to reduce those risks to levels accepted by the Board of Governors. In this report, we describe various additional research-related risks that have not yet been appropriately mitigated by the University. We make several recommendations in this report that should help the University manage research risks.

6. **We recommend that the University of Regina reassess its risks related to research and develop further mitigation strategies.**

6.1.3 Policies and Procedures Need to be Improved

The University has overarching policies that all staff are required to follow, such as policies for the financial administration of funds, purchasing, and the delegation of signing authorities. The University also has policies and procedures that are specific to research that were developed with advice from the Council Committee on Research (see

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[17] University of Regina's Enterprise Risk Management Policy.

Exhibit 8.4). Research responsibilities and principles are also reflected in the Collective Agreement between the University of Regina Faculty Association and the University (see **Exhibit 8.5**). This Collective Agreement has expired, so the University will need to assess if any changes are required to policies once a new agreement is signed. The University's Intellectual Property Policy (see **Exhibit 8.6**) specifies that it does not supercede the provisions of the Collective Agreement.

Faculties and academic staff are required to follow research policies but have freedom to pursue their own research interests (i.e., academic freedom). Many of the research policies have not been reviewed in several years (e.g., more than five years). Our testing of research processes and interviews with University academic staff found that there are several policies that are not functioning as expected (e.g., overhead policy) and may require revision and/or education of staff. We further discuss these policies below.

7. **We recommend that the University of Regina regularly review and update its research policies, educate staff about the policies, and have senior staff sign off on an annual basis that they have read and understand the policies.**

Intellectual Property

The University's academic staff are the owners of the intellectual property they create. We note that this is consistent with the practice of many other Canadian universities.[18] This practice is reflected in the Intellectual Property Policy and the Collective Agreement. Academic staff may decide that they wish to pursue commercialization of intellectual property they have created (that is, sell or license related rights). The Intellectual Property Policy sets out the process for academic staff to disclose to the University their intent to commercialize intellectual property through completion of a disclosure form provided to the Office of Research, Innovation and Partnership. We found that intellectual property files did not always include disclosures. The University has not received any new disclosures of intellectual property from academic staff for over 18 months. We were not able to determine if the absence of disclosures over this time frame was reasonable.

8. **We recommend that the University of Regina ensure that intellectual property disclosures are completed in accordance with policy and communicate this requirement to staff.**

The University has the right to share in commercialization of intellectual property with its academic staff if it was created by staff, in the course of carrying out their University duties, using the University's "specialized resources."[19] According to the Intellectual Property Policy and the Collective Agreement, what constitutes specialized resources is to be set and documented by the dean of each faculty. Because Type I institutes are not managed by faculties, the policy does not describe how specialized resources will be defined for Type I institutes. We found that opinions at the University differed on what constitutes specialized resources. We also found that no Type I institutes and only one faculty have documented their criteria for determining specialized resources. This increases the risk that the University may not have enforceable rights to share in the intellectual property created by academic staff and any potential profits from commercialization. Because of the significance of the definition of specialized resources to the University's right to share in intellectual property, the University's Board of Governors should review and approve the definition.

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[18] Centre for Policy Research on Science and Technology, *Intellectual Property Policies at Canadian Universities*. January 2010.

[19] Specialized resources are resources owned or controlled by the University beyond the payment of a staff member's salary (e.g., mass spectrometer) and the provision of a standard environment in which staff perform their normal duties (e.g., desk).

9. We recommend that the University of Regina define and the Board of Governors approve what constitutes specialized resources for the purposes of the University's Intellectual Property Policy in order to protect the University's rights to intellectual property.

10. We recommend that once the University of Regina defines and the Board of Governors approves what constitutes specialized resources, the University ensure that the definition is consistently used and applied.

If the University supports the creation of research as defined in its Intellectual Property Policy and an academic staff member wishes to pursue commercialization, the policy requires the University to assess the merits of pursuing commercialization and decide whether to enter into a commercialization partnership with the academic staff member. The University has recently developed a form for completing this analysis. Since the University has experienced recent reorganizations and turnover of staff in the research administration area, it needs to ensure it has the expertise to assess the commercialization potential of new intellectual property that may be disclosed by academic staff.

11. We recommend that the University of Regina ensure it has the expertise to assess the commercialization potential of intellectual property.

The University must assess whether and how to actively pursue commercialization (e.g., identify industry partners) and how it will protect intellectual property rights (e.g., patent, copyright, industrial design). Commercialization efforts can be very costly and the policy provides little guidance for the processes to follow to ensure that benefits are achieved and risks are managed appropriately. The University may take various steps, from offering to acquire sole ownership of the intellectual property from academic staff to deciding to waive its rights to intellectual property (for example, if the risk of commercialization failure is too high). The Intellectual Property Policy establishes the Intellectual Property Committee. The Committee's mandate includes advising the Vice-President (Research) on matters related to intellectual property (see **Exhibit 8.6**). The [illegible] has not effectively utilized the Committee to help develop stronger processes for [illegible] and providing further guidance for staff.

12. We recommend that the University of Regina establish policies and procedures for evaluating when to pursue and when to discontinue commercialization efforts.

Institutes

The Policy on University of Regina Centres/Institutes (see **Exhibit 8.7**) establishes the processes for the creation and management of research institutes. As described in **Section 4.0**, Type I institutes must be approved by the Board of Governors and managed through a governance structure that reports to the Vice-President (Research) as required by the policy. Deans can approve the creation of Type II or "other" institutes within their faculties. The University's Type II and "other" institutes are not fully defined.

Type II institutes are approved and managed by faculties (a director of a Type II institute reports to the dean of the faculty) in accordance with criteria that are to be established by each faculty. We found that only one faculty had documented criteria for the creation and management of Type II institutes. The University also has "other" institutes that operate within faculties. The University does not consider these "other" institutes (which may be called institutes, laboratories, centres, units, or groups) to be Type II institutes. There is no definition of "other" institute or requirements for how an "other" institute would be created, operated, and managed. There is no clear reporting structure to enable the Vice-President (Research) to adequately monitor institutes within faculties to ensure they are performing as expected and complying with research policies. A lack of clear definitions and requirements for Type II and "other" institutes increases the risk of financial and reputational damage to the University.

For example, the University had a research initiative called the International Performance Assessment Centre for Geological Storage of CO2 (IPAC-CO2) that involved multiple researchers and funding organizations and was strategic to the University. The University did not classify IPAC-CO2 as a Type I institute, which would have required more appropriate reporting structures. As a result, reporting was inadequate to enable appropriate oversight by senior management and the Board of Governors of the University, and created risks to the University's finances and reputation. **Figure 2** describes examples of how a lack of clear policy led to confusion regarding the appropriate classification of two "other" institutes.

Figure 2—Example of Lack of Clear Policy for Institutes

We examined two "other" institutes owned by the University that were created using significant external grant funding (i.e., the International Test Centre for CO_2 Capture and the Institute of Environmental Change and Society). These "other" institutes, also called laboratories, operated with directors who reported to the deans of their respective faculties. Both laboratories have had significant external funding to support their operations. Both have a number of researchers working within the laboratories. Both laboratories appear to be innovative leaders in research.

The International Test Centre for CO_2 Capture uses multiple patents in which the University and its researchers have an interest. The University has not completed evaluations of all of these patents to assess their potential for commercialization. The laboratory has been involved in partnerships with numerous national and international companies. The laboratory has struggled to put adequate management processes in place. The University plans to consolidate the International Test Centre for CO_2 Capture with other research areas at the University to form a new Type I institute. The creation of the new institute was approved by the Board of Governors in December of 2011, and management advised us that it has been working to put the governance structure and funding in place to operationalize the new Type I institute. Given the significance of the research in this laboratory, it is not clear why this has been classified as an "other" institute historically and did not receive the scrutiny of the Board of Governors as would be required if it had been classified as a Type I institute. Also, it is not clear why more prompt action was not taken to operationalize the Board of Governors' decision.

The Institute of Environmental Change and Society employs three dedicated research positions (i.e., with no teaching responsibilities). The Institute recently changed its name for branding purposes, but remains an "other" institute. It is not clear why this laboratory is not classified as either a Type I or a Type II institute.

We make a recommendation in **Section 6.2** that the University review its classifications of institutes.

Source: Provincial Auditor Saskatchewan (2013)

13. We recommend that the Board of Governors of the University of Regina update its Policy on University of Regina Centres/Institutes to define the creation, classification, monitoring, and reporting requirements for institutes/centres.

14. We recommend that the University of Regina take prompt action on Board of Governors' decisions regarding institutes/centres.

Overhead

The University has a Policy for the Recovery of the Indirect Costs of Research and Service Contracts (i.e., overhead) (see **Exhibit 8.8**). According to the University's policy, overhead includes costs incurred in the conduct of research that cannot be easily traced to specific expenses. Examples of these central, indirect costs include accommodation, equipment maintenance, insurance, legal fees, as well as administrative support from the Office of Research, Innovation and Partnership, Financial Services, and Human Resources. Overhead is calculated by applying standard rates to research grants and service contracts, except when waived or another rate is approved by the Vice-President (Research). This policy has not been updated since October 2006.

During our examination of research documents and in interviews with University academic and administrative staff, we found that the overhead policy was not well understood or supported. Staff do not always understand or appreciate the purpose of overhead charges. Some faculties do not think that the benefits are worth the amounts expected to be paid. As a result of these issues, the University struggles to enforce its overhead policy and may not be collecting overhead on all agreements. The University should review its overhead policy in consultation with academic and administrative staff to develop a system that is generally perceived as fair and appropriate, educate staff about the new policy and the value of overhead, and enforce the new policy.

15. We recommend that the University of Regina update, communicate to its academic and administrative staff, and enforce its Policy for the Recovery of the Indirect Costs of Research and Service Contracts.

6.1.4 Signing Authority is Not Followed

The Board of Governors has delegated the signing authority for research contracts to the Vice-President (Research). As set out in the Signing Authorization Policy, the Vice-President (Research) can delegate this authority as he or she deems appropriate. The Vice-President (Research) had informally delegated to the Associate Vice-President (Research) and to the Dean of the Faculty of Graduate Studies and Research the authority to sign certain contracts (e.g., under a certain dollar value, related to graduate studies or when the Vice-President (Research) is unavailable). These delegations are not documented.

The University's Intellectual Property Policy delegates the responsibility for deciding how and when to protect research including intellectual property to the Vice-President (Research). In some cases, administrative staff working at the Office of Research, Innovation and Partnership approve decisions (e.g., continuing a sub-grant for an academic staff), even though the University's policies do not include this delegation. We also found that in many cases the decision to pursue commercialization was made without the approval of the Vice-President (Research).

Formal documentation helps to ensure all staff know who has the proper authority for making decisions and reduces confusion or error. A review of the administrative duties related to research may also identify further opportunities or risks related to the delegation of the Vice-President (Research)'s authority.

16. We recommend that the University of Regina immediately confirm, document, and enforce its delegations to staff of research-related signing authority.

6.2 Better Processes to Protect Rights Needed

As described in **Section 4.0**, academic staff are expected to perform research. The University's policies guide staff in determining when they must inform their supervisors (e.g., deans, Vice-President (Research)) about their research activities. This takes place, for example, through staff annual activity reports, performance reviews, and notifications of intent to commercialize research (using the disclosure form mentioned earlier).

The University does not have effective processes to maintain information about all of its research initiatives. It uses a database managed by the Office of Research, Innovation and Partnership to track grants and contracts. During our audit, we became aware that some agreements are not tracked by this Office. We found that the University does not maintain up-to-date lists of its institutes (Type I, Type II, "other"), external board directorships for all staff, and external partnerships. The University also provided us with lists of existing patents, which it advised were the complete lists of its intellectual property. During the audit, the University had to gather information to create these lists for the purposes of our audit. Insufficient controls exist to allow us to confirm that these lists are complete. The University cannot effectively manage and oversee research initiatives if it does not have effective processes to identify and track them.

17. We recommend that the University of Regina centrally maintain complete and up-to-date information about all of its research initiatives and intellectual property (e.g., grants, contracts, partnership agreements, patents).

The University's Policy on Conflict of Interest, Conflict of Commitment and External Directorships (see **Exhibit 8.9**) requires staff to declare all conflicts of interest or external commitment, including any external directorships. The policy requires all staff to disclose conflicts. The University indicated that currently, only the President, vice-presidents, and members of the Board of Governors annually complete a disclosure form confirming or updating the University about any conflicts. The University should ensure that all staff comply with the policy for declaring conflicts. The University needs to take appropriate action when it identifies non-compliance with the policy. The University could explore options for efficient annual verification that staff understand and have complied with the policy.

18. We recommend that the University of Regina ensure that all staff follow its policy requiring declaration, at least annually, of any conflicts of interest or conflicts of external commitment.

In some cases, the University has appointed staff to serve on external boards to represent the University and protect its interests. The University was able to provide us with lists of external directorships appointed by the President or the Board of Governors. However, these appointments have been made over many years. The University was not able to clearly define the purpose for many of these directorships or indicate whether they were achieving their intended purposes. To protect the interests of the University, these University representatives need to be able to share what they learn from these external directorships with the University (for example, with the President). The University should follow its policy by seeking to have external boards pass resolutions allowing the directors it nominates to share information on a need-to-know basis with the University. We are aware of only one external board that has passed such a resolution.

19. We recommend that the University of Regina follow its policy to have external boards pass resolutions allowing University-nominated directors to share information with the University. Where such resolutions cannot be obtained, the University should consider not naming directors to these external boards.

Additionally, staff may serve on external boards, for example to maintain their professional knowledge, to provide service to society, or for their own business or personal purposes. The University did not have a list of these external directorships. Depending on the nature of the directorship, these directorships may pose risks to the University (e.g., conflict of interest or commitment). The University needs to assess the risks that external directorships held by staff may pose to the University (e.g., inappropriate financial transactions, reputation) and take action on those risks.

20. We recommend that the University of Regina regularly evaluate external directorships held by staff.

21. We recommend that the University of Regina take action when it identifies conflicts of interest or conflicts of external commitment.

The University has processes to review research agreements to assess whether University and staff interests are protected (however, as noted earlier, the Office of Research, Innovation and Partnership does not receive all research agreements for review). Assessments can also be required for institutes. For example, the University has processes to assess and approve the creation of a Type I institute when it determines that research will take place that is of strategic importance to the University. Type I institutes are to be formally reviewed every five years. These reviews have not occurred on time for all Type I institutes. The process to evaluate when Type II or "other" institutes should be formed or wound-up is not clearly set out, as discussed in **Section 6.1.3**. We did not find evidence of formal reviews of Type II institutes.

22. We recommend that the University of Regina review the classification and operations of all of its research institutes, assess their contribution to the University's strategic research goals, and take any necessary actions identified by the reviews.

6.3 Need to Strengthen Agreements

The Office of Research, Innovation and Partnership has procedures and agreement templates for developing and assessing research agreements. We expected the agreements the University signed with its staff and external partners to include all relevant requirements such as governance requirements, research ownership and rights, operating rules and procedures, identification and allocation of funding, identification of interests on wind-up, and the "right to audit." We found that the research agreements we examined did not always include all relevant requirements.

23. We recommend that the University of Regina strengthen its research agreements by including all relevant requirements to protect both researcher and University interests.

6.4 More Timely Review of Patents Needed

The University also requires the Office of Research, Innovation and Partnership to manage its intellectual property with direction from the Vice-President (Research). In **Section 6.1.3**, we recommended that the University establish procedures for evaluating when to pursue or discontinue commercialization efforts. We found that, in the past, patents were obtained without adequate evaluations to support the decisions to pursue commercialization. The University is now trying to re-evaluate these patents as patent renewals are required in order to determine if it should maintain the patents or discontinue commercialization efforts. Both maintaining the patents and re-evaluating them involves significant expense.

As described earlier in **Section 6.1.3**, the University needs to obtain the expertise to assess the commercialization potential of intellectual property. Recently, the University entered into agreements with external agencies to help it complete the re-evaluations of some of its patents. The University has received some evaluations in exchange for the evaluating agencies receiving options to license the intellectual property. The University has not analyzed all of the risks of this approach. The University advised us that it plans to complete the evaluations depending on the availability of funding, focusing first on patents that will expire soon. If the University cannot afford to evaluate its patents and it allows them to lapse, it will lose the benefit of any potential commercialization of the intellectual property. The University has completed its evaluation for about 30% (6 of 19 files) of research initiatives. The 19 files have an estimated 109 patents.

24. We recommend that the University of Regina complete its evaluation of patents to support its decisions to continue maintaining patents.

We describe in **Section 6.2** that the University needs to complete its review of its institutes and external directorships held by its staff.

6.5 Research Interests Need to be Monitored

We expected the University to track research and decisions about how to manage the risks associated with research. As described in **Section 6.2**, the University needs to maintain up-to-date information of its research initiatives, including institutes, grants, contracts, and partnerships. Unless it maintains more accurate information about the research in which its staff are engaged, the University cannot ensure that its reporting on research is complete and accurate, and that its interests are protected.

The Board of Governors has set out reporting requirements, including financial reports, annual reports, and regular reports from the President. In **Section 6.1.2**, we describe that the University's strategic plans and annual reports do not set out an adequate framework for evaluating the overall performance of research. Action plans and performance measures and targets are needed for meaningful analysis of research. The Board of Governors and senior administrative staff receive reports summarizing the total research funding received for grants and contracts, recommendations to create or modify Type I institutes, ad hoc reports about significant research issues that management has identified, reports about compliance issues identified by external funding agencies, and University-prepared interim financial statements that include research operations. These internal reports do not provide sufficient information to evaluate the success of the University's research strategies.

The Vice-President (Research) receives annual reports from Type I institutes that describe their results for the past year, with a focus on activities such as publishing or grants received. No reports for Type II or "other" institutes are required or regularly received by the Vice-President (Research). Additionally, no process exists to evaluate the fulfillment of research agreements or performance of patents. Agreements often have planned actions (e.g., milestones), but these are not monitored centrally.

25. We recommend that the University of Regina review and update research reporting requirements to ensure both senior management and the Board of Governors receive and review sufficient information to assess the success of the University's research strategies.

6.5.1 Compliance Needs to be Evaluated

The University's policies require staff members and research institutes to follow University policies and procedures. In our examination of research initiatives (e.g., institutes, agreements), we found that the University could improve its processes to monitor compliance with policies and agreements. There is no regular review process, such as an internal audit function, to help identify non-compliance issues. The University has an internal audit policy, and the Board of Governors approved the creation of an internal auditor position in May 2013. The University needs to staff its internal audit function and determine how this function could help improve the University's risk management, internal controls, and administrative processes.

The University has identified lack of compliance with research policies, procedures and contracts as a risk. Some non-compliance issues have been identified by the University in recent years (e.g., recommendations from audits by external research funders) and reported to the Board of Governors. The Board of Governors received updates on these matters to monitor follow-up. In this report, we make recommendations to help the University identify and address non-compliance with research-related policies and procedures. When academic staff do not follow policies and procedures or the requirements in agreements, the University's reputation could be harmed and future research funding could be placed at risk.

26. We recommend that the University of Regina regularly monitor compliance with research-related policies and agreements.

7.0 SUMMARY LIST OF RECOMMENDATIONS BY CATEGORY

Oversight

1. We recommend that the University of Regina assess whether its organizational structure is effective to support the achievement of its strategic research goals and make any necessary changes.

3. We recommend that the Board of Governors of the University of Regina receive and review regular reports on the University's Strategic Research Plan.

4. We recommend that the University of Regina prepare action plans for review by the Board of Governors to support the University's strategic research direction.

5. We recommend that the University of Regina prepare more detailed performance measures and targets for approval by the Board of Governors to support measurement of progress towards the University's research goals.

6. We recommend that the University of Regina reassess its risks related to research and develop further mitigation strategies.

16. We recommend that the University of Regina immediately confirm, document, and enforce its delegations to staff of research-related signing authority.

25. We recommend that the University of Regina review and update research reporting requirements to ensure both senior management and the Board of Governors receive and review sufficient information to assess the success of the University's research strategies.

26. We recommend that the University of Regina regularly monitor compliance with research-related policies and agreements.

Updating Policies and Procedures

2. We recommend that the University of Regina document in policy and enforce its requirement to centrally manage all research agreements to protect its interests in research.

7. We recommend that the University of Regina regularly review and update its research policies, educate staff about the policies, and have senior staff sign off on an annual basis that they have read and understand the policies.

9. We recommend that the University of Regina define and the Board of Governors approve what constitutes specialized resources for the purposes of the University's Intellectual Property Policy in order to protect the University's rights to intellectual property.

12. We recommend that the University of Regina establish policies and procedures for evaluating when to pursue and when to discontinue commercialization efforts.

13. We recommend that the Board of Governors of the University of Regina update its Policy on University of Regina Centres/Institutes to define the creation, classification, monitoring, and reporting requirements for institutes/centres.

15. We recommend that the University of Regina update, communicate to its academic and administrative staff, and enforce its Policy for the Recovery of the Indirect Costs of Research and Service Contracts.

Evaluating Risks and Benefits of Research Initiatives

11. We recommend that the University of Regina ensure it has the expertise to assess the commercialization potential of intellectual property.

17. We recommend that the University of Regina centrally maintain complete and up-to-date information about all of its research initiatives and intellectual property (e.g., grants, contracts, partnership agreements, patents).

19. We recommend that the University of Regina follow its policy to have external boards pass resolutions allowing University-nominated directors to share information with the University. Where such resolutions cannot be obtained, the University should consider not naming directors to these external boards.

22. We recommend that the University of Regina review the classification and operations of all of its research institutes, assess their contribution to the University's strategic research goals, and take any necessary actions identified by the reviews.

24. We recommend that the University of Regina complete its evaluation of patents to support its decisions to continue maintaining patents.

Monitoring Compliance

8. We recommend that the University of Regina ensure that intellectual property disclosures are completed in accordance with policy and communicate this requirement to staff.

10. We recommend that once the University of Regina defines and the Board of Governors approves what constitutes specialized resources, the University ensure that the definition is consistently used and applied.

14. We recommend that the University of Regina take prompt action on Board of Governors' decisions regarding institutes/centres.

18. We recommend that the University of Regina ensure that all staff follow its policy requiring declaration, at least annually, of any conflicts of interest or conflicts of external commitment.

20. We recommend that the University of Regina regularly evaluate external directorships held by staff.

21. We recommend that the University of Regina take action when it identifies conflicts of interest or conflicts of external commitment.

23. We recommend that the University of Regina strengthen its research agreements by including all relevant requirements to protect both researcher and University interests.

8.0 EXHIBITS

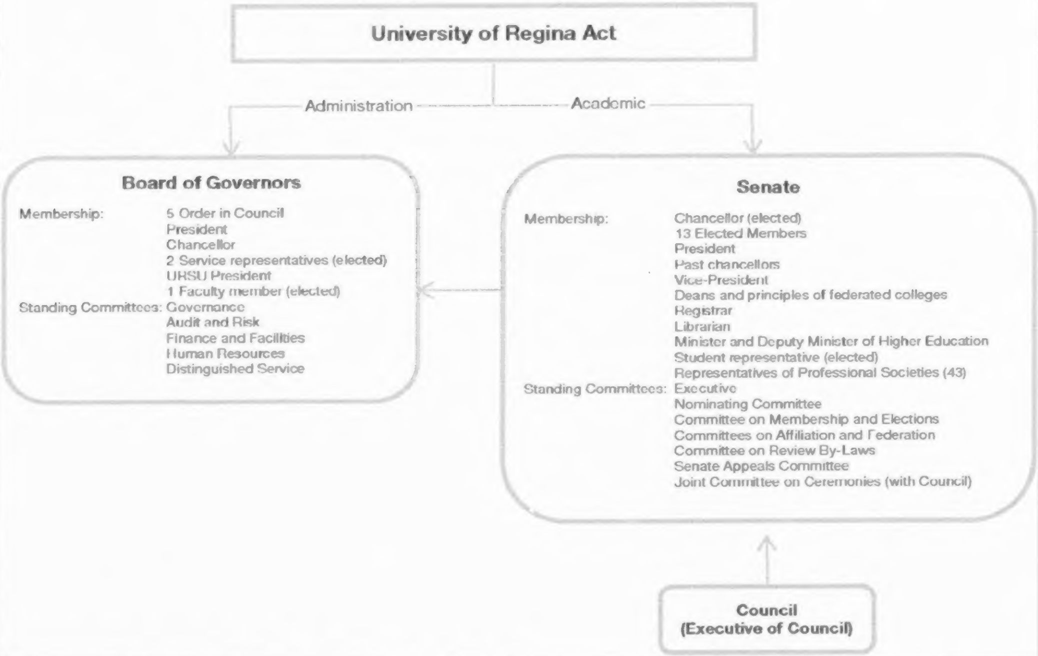
Exhibit 8.1—University Governance

The University's governance structure is established by *The University of Regina Act* and is bicameral – simply put, there is one decision stream for academic decisions and another for administrative ones.

Decisions on academic programs and related matters generally originate in the faculties, are reviewed by a University academic committee, are considered by Executive of Council on behalf of the University's Faculty Council, and then are decided upon by Senate.

Issues requiring administrative decisions may originate almost anywhere, and the Board of Governors makes major final administrative decisions, particularly where significant expenditures are concerned.

The two streams often come together at the Board; for example, Senate decisions regarding establishment of new or major expansions of academic units and programs or major changes thereto are subject to ratification by the Board of Governors.

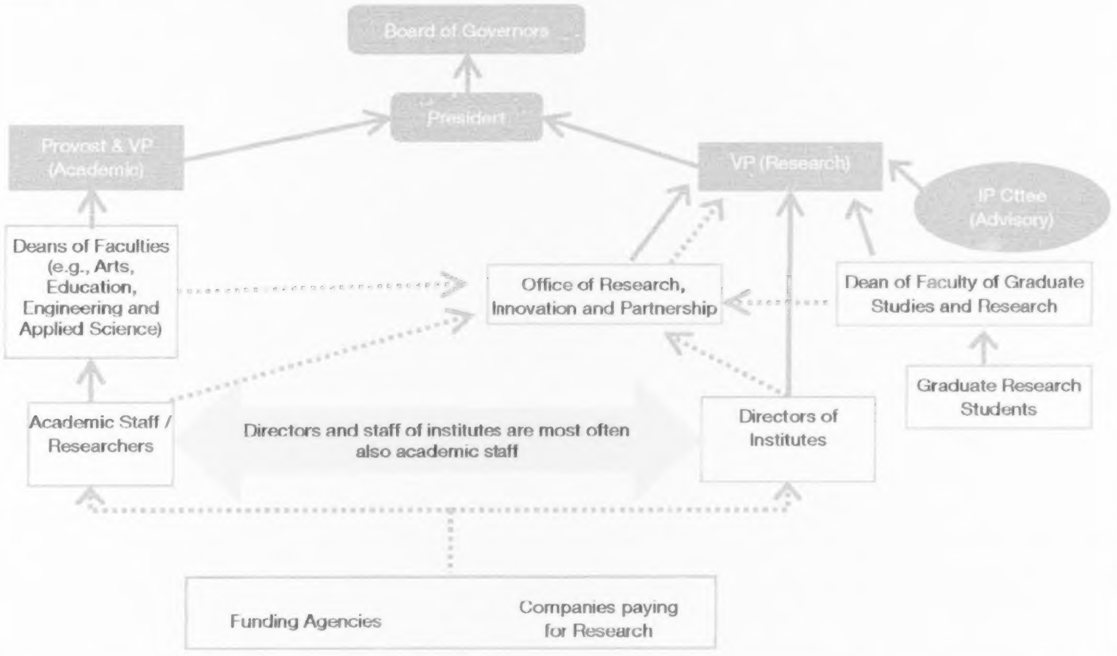

University of Regina Act
Administration
Academic
Board of Governors
Membership:
5 Order in Council
President
Chancellor
2 Service representatives (elected)
URSU President
1 Faculty member (elected)
Standing Committees:
Governance
Audit and Risk
Finance and Facilities
Human Resources
Distinguished Service
Senate
Membership:
Chancellor (elected)
13 Elected Members
President
Past chancellors
Vice-President
Deans and principles of federated colleges
Registrar
Librarian
Minister and Deputy Minister of Higher Education
Student representative (elected)
Representatives of Professional Societies (43)
Standing Committees:
Executive
Nominating Committee
Committee on Membership and Elections
Committees on Affiliation and Federation
Committee on Review By-Laws
Senate Appeals Committee
Joint Committee on Ceremonies (with Council)
Council
(Executive of Council)

Source: www.uregina.ca/president/governance/index.html (10 May 13)

Exhibit 8.2—Research Responsibilities Related to this Audit

The solid line shows formal reporting relationships.

The dotted line shows academic staff and director of institute responsibility for obtaining research funds, their accountability (through the Office of Research, Innovation and Partnership) to the Vice-President (Research) for the use of the funds (the research money itself is received centrally by Financial Services at the University), and disclosing any intent to commercialize intellectual property.


Board of Governors
President
Provost & VP (Academic)
VP (Research)
IP Cttee (Advisory)
Deans of Faculties (e.g., Arts, Education, Engineering and Applied Science)
Office of Research, Innovation and Partnership
Dean of Faculty of Graduate Studies and Research
Graduate Research Students
Academic Staff / Researchers
Directors and staff of institutes are most often also academic staff
Directors of Institutes
Funding Agencies
Companies paying for Research

Source: Provincial Auditor Saskatchewan (2013)

Exhibit 8.3—List of Institutes by Type

The following is a list of institutes as of March 31, 2013 as provided by University management. Insufficient controls existed to enable confirmation of the completeness of this list.

Type I Institutes
Canadian Centre for Public Safety and Policing
Canadian Plains Research Center (now University of Regina Press)
Centre canadien de recherche sur les francophonies en mileu minoritaire
Centre on Aging and Health
Clean Energy Technologies Institute
Humanities Research Institute
Indigenous Peoples' Health Research Centre
Institute for Energy, Environment and Sustainable Communities
Prairie Adaptation Research Collaborative - University of Regina
Prairie Particle Physics Institute
Saskatchewan Justice Institute
Saskatchewan Population Health and Evaluation Research Unit

Type II Institutes
Canadian Institute for Peace, Justice and Security
Centre for International Education and Training
Community Research Unit
Dr. Paul Schwann Applied Health and Research Centre
Saskatchewan Instructional Development and Research Unit
Social Policy Research Unit
Survey Research Unit

"Other" Institutes
Anxiety and Illness Behaviours Laboratory
Energy Informatics Laboratory
Environmental Quality Analysis Laboratory (now Institute of Environmental Change and Society)
Interactive Media and Performance Studio Laboratories
International Test Centre for CO_2 Capture
Johnson-Shoyama Graduate School of Public Policy - Outreach and Training Unit
New Media Studio Laboratory
Regina Integrative Cognitive Experimentation Laboratory
Research and Education for Solutions to Violence and Abuse
Rough Music and Audio Digital Interaction Laboratory
The Environmental Research and Response Applications Laboratory
Trace Analysis Facility
Traumatic Stress Group

Source: University of Regina (3 April 2013)

Exhibit 8.4—Summary of the University's Research-Related Policies

The University uses various policies to manage its operations. In addition to the general policies that apply to all of the University's operations, it has set out certain policies that are of specific application to its research operations. The following is a list of those policies.

Budgetary Limits on Spending from Research Funds – describes processes to control research spending.

Care and Use of Animals Policy – describes processes to ensure ethical and humane use and responsible care of animals used to conduct research and education, including compliance with applicable regulations.

Conflict of Interest and Conflict of Commitment Policy – aims to minimize the occurrence of conflicts of interest or commitment, and to manage such conflicts when they arise.

Intellectual Property Policy – explains the University's role in the commercialization of intellectual property developed by its faculty, staff, and students.

Misconduct Policy – explains acceptable and unacceptable conduct. Misconduct Procedures explain the University's processes to address misconduct if it occurs.

Policy on University of Regina Centres/Institutes – explains the types of institutes used by the University and processes for creating and managing those institutes.

Recovery of Indirect Costs on Research Policy – explains the University's processes to fund expenditures incurred in the conduct of research that are not readily or effectively traceable to specific expenses.

Research and Professional Personnel – describes the various types of personnel involved in research at the University, including information about recruitment and appointment, duties and responsibilities, and administration.

Research Ethics Board Policies – provides guidelines, forms, checklists, or other information for ethics requirements of the University or research funders (e.g., Tri Council).

Signing Authorization Policy – specifies who may sign documents on behalf of the University, including delegating to the Vice-President (Research) the signing authority for research contracts (including all contracts involving research, intellectual property, copyrights, and international exchange students) and permitting further delegation by the Vice President (Research).

Source: Summarized from www.uregina.ca/research/About_ORS/Policy/main.shtml (9 May 2013)

Exhibit 8.5—Excerpt from the Collective Agreement between the University of Regina and the University of Regina Faculty Association

Article 29–Intellectual Property

29.1 Definition and General Principles

29.1.1 Intellectual property (IP) means any result of conceptual or artistic activity that is created by an academic staff member and can be owned by a person. This includes all works that can be protected under copyright, patent, trademark, or other equivalent legislation.

29.1.2 It is recognised that a major purpose of the University is to promote the advancement and dissemination of knowledge. The University endorses and encourages the lively engagement of academic staff members in research, scholarship, and professional activities, and shall assist and enhance members' capabilities to pursue these aims, insofar as it is reasonable to do so.

As an academic community, the University values scholarly activity, including the creation and sharing of ideas. Ideas are to be shared as widely as possible and do not constitute IP. The tangible material or electronic form that ideas take may give rise to issues of ownership. It is to these issues of ownership that Article 29 is addressed.

29.1.3 The University encourages academic staff members to make their IP freely accessible to the academic community and to the general public. The University and the Faculty Association recognize that in specific circumstances it may be in the public interest to limit access.

29.1.4 No academic staff member shall be required to engage in any research activity the findings of which are prohibited from being published or fully disclosed to the public. The term "full disclosure" shall be subject to the limitations imposed by the University's Research Ethics Board.

29.1.5 In the absence of a written agreement to the contrary, academic staff members are the owners of all intellectual property, and all rights (including copyright, patents, trademarks, and other equivalent rights) to intellectual property, that they create in the course of their employment at the University. Except as provided for by Article 30, IP shall not be used or distributed by the University without the express written consent of the members who own it.

29.1.6 Academic staff members shall have the exclusive authority to decide whether to pursue commercialization of their IP.

29.1.7 Notwithstanding Article 29.1.5, the University shall have certain prerogatives (namely those specified in Article 29.1.8) over the IP of academic staff members when all of the following conditions are met:

- the IP was created by members in the course of carrying out their university duties (as defined in Article 16);
- the IP was created by members using facilities or equipment that were deemed specialized as specified in Article 29.1.7.1, at the time the work began, and that were provided by the University (directly or obtained through external funding) without personal cost to the members;
- members intend to pursue commercialization of the IP in question.

29.1.7.1 Deans or equivalent shall establish written, public criteria for determining the facilities and equipment available in their Faculty that shall be deemed "specialized". When establishing or revising these criteria, the Dean shall consult in committee with the academic staff members of the Faculty.

29.1.7.2 The terms "specialized facilities" and "specialized equipment" shall not be construed to include the standard academic resources with which by custom all members are provided.

29.1.7.3 Payment of salary to members shall not in itself confer upon the University any ownership rights over the IP developed by members.

29.1.8 When all of the conditions specified in 29.1.7 have been met, the University shall have the following prerogatives:

- to co-manage the commercialization process;
- if it chooses to co-manage the commercialization process, to claim up to 50% of the profits resulting from commercialization;
- to make an offer to the academic staff member for acquiring partial or full ownership of the IP being commercialized.

29.1.8.1 If the University enters into a co-management agreement with an academic staff member, the member shall be reimbursed for personal expenses incurred in creating and commercializing the IP before the University became a co-manager.

29.1.9 In cases not covered by 29.1.7 and 29.1.8, an academic staff member who owns IP may elect to transfer ownership or use of the IP to the University. The transfer agreement shall be in writing and signed by the member and the University. Where the University commercializes the IP, the member shall be entitled to a share of any profits resulting from the commercialization. Agreements shall be in accordance with the provisions of the Collective Agreement and the IP Policy of the University.

29.1.10 The University shall encourage the development, production, and dissemination of IP, and shall endeavour to protect the IP of academic staff members. The University shall not arbitrarily abandon, destroy, or neglect activities and projects in which the IP of members is embodied.

29.1.11 Any IP created by an academic staff member shall be owned by the University when all of the following conditions have been met:

- the member was specifically assigned, outside the scope of the member's normal duties, to create the IP;
- the member received advance, written notice from the University of this assignment;
- the member accepted the assignment in advance and in writing;
- the member agreed in advance and in writing to transfer ownership to the University of any resulting IP.

29.1.12 The University shall not oblige or pressure academic staff members to follow any particular course of action with regard to IP-related matters. Members' decisions on IP-related matters shall not be recorded in their performance reviews, shall not affect their performance review adversely in any way, and shall not be an occasion for discipline.

29.1.13 The University maintains a Policy on IP. The Intellectual Property Committee shall advise the Vice-President (Research and International) or designate on any review or amendment of the Policy. Nothing in the Policy shall contravene the provisions of the Collective Agreement.

29.2 Intellectual Property Committee (IPC)

29.2.1 The University shall maintain an Intellectual Property Committee. The Committee shall have no more than eight members. The Faculty Association shall appoint two academic staff members to the Committee. The University shall be entitled to appoint members of its own. The number of members appointed by the University shall not exceed the total number of members appointed by all of the employee groups having representation on the Committee.

29.2.2 The appointed members of the Intellectual Property Committee shall select a mutually agreeable person (who shall not be from among their own number) to serve as Chair of the Committee. If the Committee cannot agree on a Chair, the Vice-President (Research and International) and the Faculty Association shall jointly agree on a Chair. The Chair shall vote only in the case of a tie.

29.2.3 The Intellectual Property Committee shall consider all IP-related matters concerning academic staff members before the University makes a decision upon them. The University shall not alter the IP policy without first having received the advice of the IPC.

29.2.4 The IPC shall have the following duties specific to academic staff members:

- to deal with any IP-related matter referred to it by an academic staff member, the Faculty Association, or a member of the University administration;
- to adjudicate any IP-related disputes between members and the University (including the criteria for determining what are specialized facilities and equipment, as specified in Article 29.1.7.1), between members, or between members and another party, including disputes about profit shares, and make recommendations to the Vice-President (Research and International);
- to review the IP Policy and advise the Vice-President (Research and International) on changes to the Policy.

29.2.5 The Intellectual Property Committee shall report to the Vice-President (Research and International), who shall decide on its recommendations. If the decision is contrary to the Committee's recommendation, the Committee shall be provided with reasons for the decision. The Vice-President shall convey all decisions (and reasons where appropriate) to the Committee and/or the affected individual(s) in writing.

29.2.6 Academic staff members may submit any IP-related decision of the Vice-President (Research and International) to the Appeal process outlined in Articles 18.8 and 18.9.

29.2.7 Following the appeal procedure outlined in Articles 18.8 and 18.9, academic staff members and the Faculty Association may submit any IP-related decision of the Vice-President (Academic) to the Arbitration process outlined in Article 21.6.

Article 30 – Instructional and Information Technology

30.1 In this collective agreement, Instructional and Information Technology is defined as any electronic media used to deliver academic instruction.

30.2 The University recognises that the use of Instructional and Information Technology in the performance of the duties of academic staff members can have unforeseeable implications for the fair and equitable distribution of normal workload within an academic unit. The University is committed to ensuring that members receive appropriate recognition through the performance review process for their contributions when Instructional and Information Technology is used in the performance of duties.

30.3 When academic staff members receive project funding from an external, public or non-profit agency (for example Campus Saskatchewan) specifically to develop a course designed around the use of Instructional and Information Technology, the University shall have the right to use the resulting course materials for a period of five years. The five year period shall commence on the first day of lectures of the first term in which the newly-developed course is offered. This right shall extend only to internal use for non-commercial purposes. The University must notify the member(s) in writing, before the member begins to develop the course, that it intends to claim this right. If the member is not provided such notification, the University shall not receive the right to use the course materials. During the five-year period the University shall consult with the member(s) who developed the course concerning scheduling and further development that might be required.

30.3.1 If a course is scheduled to be delivered during the period that the University has the right to use the course materials, the appointment for teaching the course shall normally go to the academic staff member who developed it (or if the course was developed by more than one member, to one of the members who developed it). Should the course developer(s) be unavailable or decline to teach the course, the appointment shall go to another member.

30.3.2 Normally the academic staff member who first developed a course shall be the one to determine whether it requires any further development and to undertake that work.

30.4 The particular expertise, effort, or amount of time necessary for individual academic staff members to prepare Instructional and Information Technology courses varies from one setting to the next and among individuals. It is recognised that preparing and delivering courses using Instructional and Information Technology frequently requires skills and efforts beyond those required for "traditional" courses. Therefore, with the approval of the Dean or equivalent, courses that employ Instructional and Information Technology shall be deemed to carry a teaching load equal to 1.5 times the credit hours assigned to the course. Any members teaching such courses on a sessional or overload basis shall be compensated accordingly.

30.5 Matters of intellectual property are governed by Article 29 of this agreement.

Source: University of Regina 2008-2011 Collective Agreement for the University of Regina Faculty Association

Exhibit 8.6—Intellectual Property Policy

Policies and Procedures Manual

10 - GENERAL

Policy Number:	10.95
Name:	Intellectual Property Policy
Origin:	Vice President (Research & International)
Approved:	February 28, 2006
Approval Process:	Board of Governors
Revision Date(s):	

Introduction

The University of Regina is committed to the advancement and the sharing of knowledge. It follows that one of the University's primary responsibilities is to disseminate the results of the intellectual activities of its faculty, staff, and students to the benefit of the communities that have created it and sustain it. The University has a responsibility to support its employees in the creation and dissemination of their Intellectual Property. It provides this support by making available facilities, equipment, human resources and information resources, and actively helps to seek additional support for creative activity from external sources, both public and private.

In particular, the University supports the scholarly research and other creative activities that form part of the basic duties of its Academic Staff Members, in part by making technical and legal assistance available through the Office of the Vice-President (Research and International). The University encourages Academic Staff Members to make their Intellectual Property as freely accessible to the academic community and the public as is reasonable in any given situation.

While the University may enter into a commercialization partnership with an employee, its primary objective in so doing is to support and protect both the individual and the institution. The University does not necessarily have a financial interest in all research and related activities carried out by its employees. However, when the University contributes significantly to such activities, it is entitled to a reasonable share of the benefits. In principle, the University's share of revenues generated from such a commercialization partnership should be used both to support research and related academic activities in the University and to provide the administrative infrastructure to support this policy.

This policy defines a subset of Intellectual Property called "Traditional Academic Works;" these are works created by Academic Staff Members, encompassing teaching materials in any format and all traditional forms of scholarly publication. Three important principles underlie this policy:

1. **The University has no claim on Traditional Academic Works unless they have been created with the use of the University's Specialized Resources;**
2. **For Intellectual Property created by Academic Staff Members, neither the Creator nor the University may be compelled to commercialize any Intellectual Property; and**
3. **Nothing in this policy shall supersede the provisions of any applicable collective agreement.**

Definitions

Within this policy, the following terms will have the following meanings:

"Academic Staff Member"
means an Employee of the University who holds an academic appointment (whether in or out of the scope of the academic collective agreement) or is an academic assistant covered by CUPE 2419.

"Creator"
means the originator or discoverer of the Intellectual Property.

"Employee"
means an individual employed by the University in any capacity.

"Institutional Work"
means Intellectual Property created at the request of the University, under the specific direction of the University, for the University's use, by a person acting within the terms of his or her employment. Intellectual Property created by Academic Staff Members may be considered an Institutional Work if a written agreement to this effect has been negotiated between the individual and the University prior to the work being created.

"Intellectual Property"
means any result of scholarly or creative activity that can be owned by a person, including all works that can be protected under copyright, patent, trademark, industrial design, integrated circuit topography, or other equivalent legislation. It includes, but is not limited to, text, works of art, databases, audio-visual material, electronic circuitry, biotechnology and genetic engineering products, computer software recorded in any format, inventions, and all other products of research.

"Traditional Academic Work"
means Intellectual Property that is created to support teaching, regardless of the medium, or that falls into one or more of the traditional kinds of academic output related to research and publication. This includes, but is not limited to, educational, scholarly, artistic, or literary works in any medium. Intellectual Property created for public service (such as speeches, briefs, etc.) shall normally also be considered a Traditional Academic Work.

"University"
means The University of Regina created under *The University of Regina Act*, as amended.

"*University's Specialized Resources"
means those resources owned or under the control of the University beyond the payment of salary to Employees and the provision of a standard academic or administrative environment to Employees in which to perform their normal duties. ("Standard academic or administrative environment" should be understood as those resources normally made available to an Employee at the beginning of his or her employment. This will vary by unit. A piece of specialized instrumentation or equipment purchased with external funding, such as a CFI New Opportunities grant, is one example of a Specialized Resource.) Deans or equivalent will establish written, public criteria for determining the facilities and equipment available in their Faculty that will be deemed the University's Specialized Resources.

Words used in the singular include the plural and vice versa. Other parts of speech and grammatical forms of a word or phrase defined in this policy have a corresponding meaning.

Scope

This policy shall apply to all Employees of the University, including those on leave unless otherwise agreed in writing prior to the commencement of the leave. It also applies to visitors using the University's Specialized Resources. Intellectual Property issues involving students will be addressed in a manner consistent with this policy. This policy does not apply to Intellectual Property created by an individual prior to being employed by the University.

External funding sources may impose certain conditions or requirements that supersede elements of this policy.

Policy Statement

i. Intellectual Property created by an Academic Staff Member is owned by the Academic Staff Member as Creator, unless an agreement in writing to the contrary is reached between the individual and the University.

ii. Intellectual Property created by Employees who are not Academic Staff Members are Institutional Works, unless an agreement in writing to the contrary is reached between the individual and the University.

iii. Institutional Works are owned by the University, unless an agreement in writing to the contrary is reached between the individual and the University.

iv. The University has no claim on Traditional Academic Works, unless they are created with the use of the University's Specialized Resources.

v. The University has no claim on Intellectual Property that is created by Employees outside of the scope of normal duties and without the use of the University's Specialized Resources.

vi. Intellectual Property that is created by Academic Staff Members with the use of the University's Specialized Resources and/or which is not a Traditional Academic Work may be commercialized upon mutual agreement of the Creator and the University. Neither the Academic Staff Member nor the University may be compelled to commercialize any Intellectual Property.

vi. A Creator who decides to pursue commercialization of Intellectual Property shall follow the procedures set out in **Appendix 1**.

viii. A decision to commercialize or not to commercialize notwithstanding, prior to public disclosure all individuals covered by this policy are encouraged to disclose to the University any Intellectual Property that is created with the use of the University's Specialized Resources or is not a Traditional Academic Work in order for the individual to obtain advice about how best to protect his or her interests (and the interests of the University, if applicable) in the Intellectual Property.

viii. In the case of jointly discovered or created Intellectual Property, decisions about ownership and commercialization should be agreed to in writing by the Creators as early as possible in the process in order to avoid later dispute. Should such a dispute arise, it may be referred to the Intellectual

Property Committee for a recommendation.

Intellectual Property Committee

Any disagreement that arises between individuals involved in creating Intellectual Property and individuals administering this policy will be heard in the first instance by the Intellectual Property Committee according to the Terms of Reference attached as **Appendix 2**. All decisions of the Intellectual Property Committee shall be rendered as recommendations to the Vice-President (Research and International) who shall either accept or reject such recommendations.

Commercialization Partnership with the University

i. Neither the Creator nor the University is required to commercialize any Intellectual Property.

ii. If the Creator and the University decide to enter into partnership to commercialize the Intellectual Property, the following terms and conditions will apply:

  - The University will make every reasonable effort to commercialize the Intellectual Property in a manner most likely to generate the maximum advantage for all parties concerned;
  - The University may make an offer to the Creator to acquire sole ownership of the Intellectual Property;
  - Normally, administrative costs relating to the commercialization of the Intellectual Property will be covered or raised by the University;
  - Sharing of revenues from commercialization of Intellectual Property will be negotiated between the Creator(s) and the University. Normally, not less than 50% of the annual total net proceeds (total income less expenses directly related to the commercialization of the Intellectual Property) will be paid or assigned to the Creator; revenue sharing may be renegotiated at any time by mutual agreement between the Creator and the University. The Intellectual Property Committee may be consulted if a dispute arises between the parties as to sharing of revenues;
  - The agreement relative to commercialization of Intellectual Property will include a provision for the termination of the agreement and the resultant effect on ownership of the Intellectual Property and sharing of any future revenues.

iii. The terms and conditions relative to the commercialization partnership will be put in writing and signed by the Creator and the University (by the Vice-President (Research and International), or designate), prior to the active pursuit of commercialization.

iv. If the University is not interested in entering into a commercialization partnership with the Creator and the Creator decides to pursue commercialization outside the University, the University may seek to recover its reasonable costs, if any. If an agreement as to reasonable costs cannot be reached, the matter may be submitted to the Intellectual Property Committee for a recommendation.

v. The University is committed to the creation and dissemination of knowledge and does not normally condone or promote undue restriction of or delay in the dissemination of Intellectual Property. However, when a Creator and the University are discussing a commercialization partnership, a Creator may be asked to delay publication or public presentation of the Intellectual Property for a period normally not to exceed six (6) months in order to ensure protection of the interests of the Creator and of the University.

Responsibility

The Vice-President (Research and International) bears overall responsibility for the policy. He or she, in consultation with the Intellectual Property Committee, will decide where the administrative responsibility for this policy will reside and may appoint an administrator. The administrator will normally report directly to the Vice-President (Research and International).

The Vice-President (Research and International) may seek advice on any Intellectual Property matters from appropriate sources, both within and outside the University.

Implementation

The University may develop guidelines or procedures to assist in the administration of this policy. The Intellectual Property Committee will be consulted in the development of these guidelines or procedures.

The University's License

The University has a non-exclusive, royalty-free, license to use for non-commercial administrative, educational and research purposes, all Intellectual Property developed by its Employees and subject to the terms of this policy (keeping in mind that Traditional Academic Works are normally excluded from the terms of this policy). This license does not include teaching materials developed with instructional and information technology. The right of the University to reuse these materials is subject to Article 30 of the academic collective agreement.

Effect on Collective Agreements

Nothing in this policy shall be construed as limiting any right that exists under an applicable collective agreement, or the right of the University to manage the institution.

APPENDIX 1

Procedures for Disclosing Intellectual Property

1. A Creator who wishes to pursue the commercialization of his or her Intellectual Property, or who wishes to obtain advice before public disclosure of the Intellectual Property, shall complete the Disclosure of Intellectual Property Form, or the Disclosure of Software Development Form, and submit it to the Director of the University-Industry Liaison Office.
2. If appropriate, the Creator should also complete the No Significant Use of University Resources or Waiver of University of Regina Ownership Rights Form.
3. A copy of the completed Disclosure Form will be forwarded to the appropriate Dean or Director by the Director of the University-Industry Liaison Office.
4. The University recognizes that it is in the interest of both parties to act with due expediency. However, a Creator may be asked to withhold publication or public presentation of the Intellectual Property for a period of time normally not to exceed six (6) months in order to ensure protection of the interests of the Creator and of the University.
5. The Director of the University-Industry Liaison Office will evaluate the merits of the Intellectual Property and will advise the Creator in writing within ninety (90) days of receipt of the completed Disclosure Form whether the University is interested in entering into a commercialization partnership with the Creator. In conducting this evaluation, the Director may consult with third parties, providing that such parties sign a non-disclosure agreement.
6. This deadline may be extended up to an additional thirty (30) days by the Director of the University-Industry Liaison Office by notifying the Creator in writing and providing reasons for the extension.
7. The Director of the University-Industry Liaison Office will make a recommendation to the Vice-President (Research and International) as to whether the University should enter into a commercialization partnership with the Creator. The Vice-President (Research and International) will make the final decision as to whether to enter into a commercialization partnership with the Creator, and that decision will be conveyed to the Creator in writing.
8. If the University is not interested in entering into a commercialization partnership with the Creator, the Creator is free, subject to law and prior agreements, to proceed independently only with respect to the specific Intellectual Property disclosed.

APPENDIX 2

Intellectual Property Committee

Term of Office

Three years, renewable.

Membership

Seven (7) members:

Two Academic Staff Members appointed by the Faculty Association
Two Academic Staff Members appointed by the Vice-President (Research and International)
One non-Academic Staff Member appointed by the Faculty Association
One non-Academic Staff Member appointed by the Vice-President (Research and International)
Chair, selected by the six appointed members

The Chair shall be an Academic Staff Member. If the members are unable to agree on a Chair, the Vice-President (Research and International) and the Faculty Association will jointly agree on a Chair. The Chair shall vote only in the case of a tie.

Terms of Reference

1. To deal with any matter relating to Intellectual Property referred to the Committee by an Academic Staff Member, the Faculty Association, the Vice-President (Research and International), or any out-of-scope member of the University administration according to the procedures set forth below.
2. To develop expertise in matters related to Intellectual Property.
3. To provide advice or make recommendations to the Vice-President (Research and International) on matters related to Intellectual Property, including the administration of revenues arising from the Intellectual Property of Academic Staff Members.
4. To ensure consistency between University Intellectual Property policies and procedures and the terms and conditions of the collective bargaining agreements and to make recommendations to both the University and the bargaining units regarding any inconsistencies that need to be addressed.
5. To review its terms of reference when appropriate.

Procedures

1. The Intellectual Property Committee (IPC) will meet as necessary, but at least twice annually, or at the call of the Chair.
2. The IPC may call on the expertise of individuals who are not Committee members, but recommendations will be made by Committee members only, by majority vote.
3. The IPC will make a written recommendation to the Vice-President (Research and International), with a copy to all relevant parties, for all matters referred to the Committee. This recommendation will contain the reasons for the recommendation. Before making its recommendation, the IPC will ensure that all relevant parties have an opportunity to present the case fully and will thoroughly familiarize itself with any documents and arguments presented to it.
4. The Vice President (Research and International) will either accept or reject the recommendation of the IPC, and will convey his or her decision, along with the reasons therefore, in writing to all relevant parties.
5. If the Academic Staff Member is dissatisfied with the decision of the Vice-President (Research and International) he or she may have recourse to the appeals procedure outlined in s. 29.6 of the academic collective agreement. Other Employees have recourse to the grievance procedures set forth in the applicable collective agreement.

Source: www.uregina.ca/presoff/vpadmin/policymanual/general/1095.shtml (26 April 13)

Exhibit 8.7—Policy on University of Regina Centres/Institutes

Policies and Procedures Manual

140 – RESEARCH SERVICES

Policy Number:	140.20
Name:	Policy on University of Regina Centres / Institutes
Origin:	Office of the Vice-President (Research & International)
Approved:	April 18, 2007
Approval Process:	President's Research Committee (approval), Executive of Council (info), Senate (info), Board of Governors (approval)
Revision Date(s):	This policy replaces policies 140.20.05 University Centres and Institutes Guidelines, Policies and Procedures and 140.20.10 Constitutional Framework for University Centres/Institutes

1. Purpose

A research centre/institute is a formally structured organizational unit of the University that is established to bring together researchers with an interest in a specific research area or topic. The words *centres* and *institutes* are used interchangeably for the purpose of this policy. A centre/institute serves to focus and sustain activities in specific research areas and to encourage collaboration among the disciplines and programs.

Research centres/institutes provide an identity and reputation to enable the leveraging of new opportunities and external funding. They are flexible and responsive to changing circumstances and opportunities. They create synergy and community engagement, as well as provide opportunities for mentoring, and the development of expertise.

Centres/Institutes provide for the strengthening, coordination or facilitation of research initiatives that are not readily undertaken within the University's departmental structure, and build upon the expertise, competence and staff interests that exist within the University.

Centres/Institutes are generally expected to:

- have clearly identified goals and objectives;
- have some degree of permanence, transcending collaboration on a specific, limited project;
- bring together scholars from different disciplines and/or areas of specialization within a particular discipline;
- maintain high levels of research or other types of scholarly productivity;
- foster the training of future researchers;
- co-operate with scholars at other universities and/or institutions;
- seek external funding in order to operate on a cost-recovery basis

On occasion, research centres/institutes may involve formal partnerships with other universities and/or institutions (see Section 13 of this policy). Involvement in such partnerships is subject to formal agreement guided by the intent of conditions in this policy, and signed by the Vice-President (Research and

International).

2. Academic Responsibilities

Academic programs shall not be housed in a centre/institute, although academic programs within Faculties may be associated with a centre/institute. No faculty position is to be housed in centres/institutes.

3. Duration

Research centres/institutes are initially established for five years. A centre/institute may be extended for additional three- or five-year terms pending successful review using the process specified for that type of centre/institute (Sections 10 (c) and 11 (c) of this policy). Terms for centres/institutes will terminate at the end of the academic year.

4. Funding

Centres/Institutes are expected to secure funding from external sources and not be principally reliant on University-based funding. Centres/Institutes are normally expected to develop financial self-sufficiency through external cost recovery during their first five years of operation. Exceptions to that normal expectation require the approval of the President. University contributions may be provided to centres/institutes in the form of operating funds and/or in-kind support in compliance with University policies and procedures.

5. Directors

Each research centre/institute will have a Director who has administrative responsibility for the centre/institute, including its overall management, budget, and reporting requirement. Directors will exercise general supervision over the operation of the centre/institute, with specific responsibilities varying with the size of the centre/institute, as well as with the complexities of its policies and operations.

The Director will normally be an in-scope faculty member (term or tenured) at the University of Regina.

Typically, the Director is appointed for a three- or five-year term that is consistent with the tenure of the centre/institute. A Director who is a faculty member of the University will receive all benefits and privileges accordingly.

With the approval of the relevant Dean, the teaching responsibilities of the Director may be reduced in recognition of the responsibilities of the role in the centre/institute. When the position of Director is funded through external sources, the role may comprise 100 per cent of the incumbent's responsibilities. Work as Director of a research centre or institute should be recognized through the faculty performance review process.

6. Membership

Within its constitution, each research centre/institute shall identify criteria for membership. Membership in a center/institute is supplemental to a member's academic home. Members may be appointed to a centre/institute in accordance with the needs of the centre/institute. Examples of memberships include but are not limited to:

- research fellows
- research or professional associates
- adjunct professors (when external to the University)

7. Committee or Board

While the organizational and administrative structures of centres/institutes vary as a function of their

objectives, size and funding arrangements, each centre/institute shall normally be served by a committee or board that provides guidance and oversight of the conduct and management of its affairs. The specific terms of reference of such committees or boards may vary from one centre/institute to another; however, the general purpose of the committee or board is to provide advice on the activities and programs of the centre/institute.

8. Compliance

Research centres/institutes must conform to University policies and procedures.

9. Types of Centres/Institutes

All University of Regina centres/institutes must have an approved constitution. The constitution shall define the mandate of the centre/institute and describe the organization, management and membership. University of Regina centres/institutes shall be identified as either a Type I, or Type II:

- Type I research centres/institutes are intended to address areas of strategic research importance to the University and are under the authority of the Vice-President (Research and International).
- Type II research centres/institutes are located within a faculty and are under the authority of a Dean.

Type I, and Type II research centres/institutes are more fully discussed below.

10. Type I Centres/Institutes

A) Reporting

Type I research centres/institutes will report annually to the Vice-President (Research and International). The Vice-President (Research and International) will meet with the Director on an annual basis to review activities during the year and establish goals for the coming year. As part of this review, the Director's accomplishments in this role will be assessed, and such assessment will be made available to the Dean of the Faculty constituting the academic home of the Director as part of the Faculty performance review process. The Vice-President (Research and International) will also provide the Director with a copy of the assessment.

As part of the annual review, the Director shall provide a report to the Vice-President (Research and International) detailing the activities of the centre/institute and its personnel, including scholarly and research accomplishments, graduate training and other research-related activities (e.g. conferences, workshops, seminars, etc.) and financial status of the centre/institute.

B) Creation

i) A proposal to create a Type I research centre/institute will be submitted to the Vice-President (Research and International). The proposal must include a draft constitution that addresses the following points:

- Name and purpose of centre/institute.
- Rationale for need of centre/institute.
- Short-term and long-term goals.
- Membership (including name of Director).
- Administrative structure.
- Funding – This shall include a detailed budget proposal for the first three to five years that includes the anticipated revenue from all sources (e.g. University, government, industry, recovery of indirect costs, royalties etc.) and all annual operation costs, as well as plans for achieving financial self-sufficiency through external cost recovery.
- Physical resources – Required research facilities (e.g. space, equipment, library holdings, laboratories etc.) must be identified.
- Staff requirements must be identified with an indication of how they will be met.
- Complementarity with existing research initiatives of the University.

In addition, letters of support and commitment should be provided that are signed by the appropriate University officer(s). Any commitments or agreements to provide space, teaching release time or other resources (e.g. clerical support), including the recovery of indirect costs from contract research, should be documented and signed by those authorized to make such commitments.

ii) The President's Research Council (PRC) will receive and review all proposals for the establishment of Type I research centres/institutes. In regard to this policy, PRC responsibilities relate only to Type I research centres/institutes.

iii) Based on the above review, the Vice-President (Research and International) may recommend to the Board of Governors that the centre/institute be created, normally for a period of five years. The authority to establish centres/institutes resides with the Board of Governors. Academic implications of new centres/institutes will be reported to Senate.

C) Review of Centres/Institutes

To ensure that all research carried out by Type I centres/institutes is consistent with the goals of the University and that centres/institutes enhance the general reputation of the University, the Vice President (Research and International) shall review such centres/institutes on a periodic basis, but not less often than every five years. Normally, the review process will take the following form but is subject to revision upon the approval of the Vice-President (Research and International):

i) Notice of review will be communicated to the Director of the centre/institute by the Vice-President (Research and International) at least nine (9) months prior to the end of the current term of the centre/institute. In response, the Director shall within one (1) month submit a report to the Vice-President (Research and International) which contains the following:

a) a description of how and why the centre/institute has achieved or revised its original objectives; a detailed listing of its accomplishments; a current membership list; and a detailed financial statement that identifies all past and projected sources of revenue and annual operating costs;

b) the requested period of extension, and a plan which identifies future directions and development strategies for the proposed term;

c) letters or references indicating support for the requested extension.

ii) On the basis of the above report, the Vice-President (Research and International), in consultation with the PRC, may recommend:

a) the centre/institute continue for a specified period of time;

b) the centre/institute be terminated, with any legal agreements that affect the status of the centre/institute taken into consideration in the recommendation; or

c) a full review of the centre/institute be conducted.

iii) If a full review is required, the Vice-President (Research and International) will at least six (6) months before the end of the term of the centre/institute, appoint a formal independent Review Committee that shall normally include:

a) a senior researcher with administrative experience and no direct involvement with the centre/institute who will act as the Chair;

b) the director of another Type I centre/institute;

c) a researcher who is not affiliated with the centre/institute but who is knowledgeable in the field of activity;

d) the chair of the PRC or his/her delegate; and

e) other members as deemed appropriate.

iv) The Review Committee shall develop its own process for conducting the review, but the primary focus of the review shall be to assess the extent to which the centre/institute has fulfilled its objectives; the appropriateness of its future goals; and its financial viability. The review should include meetings with the Director and members; discussions with non-members from related departments and fields; and assessments from external reviewers.

v) Within three (3) months of being established, the Review Committee must provide a written report to the Vice-President (Research and International), with a copy to the Director of the centre/institute under review. The Director may submit a written response to the report to the Vice-President.

vi) The Vice-President (Research and International), in consultation with the PRC, shall consider the report before making a recommendation on the future of the centre/institute. The Vice-President may recommend:

a) the centre/institute continue with review in three (3) or five 5) years;

b) the centre/institute continue with review in one (1) year; or termination, with any legal agreements that affect the status of the centre/institute taken into consideration in the recommendation.

11. Type II Centres/Institutes

A) Reporting

Type II research centres/institutes are faculty-based and report to the Dean.

B) Creation

Each faculty will develop its own criteria for the establishment and management of Type II research centres/institutes. These will comply with the general requirements described herein and be consistent with the specific requirements for Type I. Type II centres/institutes that have resource implications for the institution beyond the faculty shall require approval of the Vice-President (R&I) prior to their creation.

C) Extension of Term

Each faculty will develop its own criteria for the review and extension of Type II research centres/institutes. These will comply with the general requirements described herein and be consistent with the specific requirements for Type I.

D) Funding

Each faculty will develop its own criteria for the support, financial and otherwise, of research centres/institutes, which are under the direct authority of a Dean.

12. Transition

The Type I, and Type II centres/institutes that exist at the date this policy is approved are continued herein and are subject to the terms of this policy. A listing of Type land Type II centres/institutes subject to revision is provided in Appendix A and is intended as information to accompany this policy.

13. University Centre/Institute Partnerships

In addition to University of Regina Type I and Type II centres/institutes, the University of Regina may participate with centres/institutes that are part of a multi institutional consortium or exist under a corporate structure. A listing subject to revision is provided in Appendix A and is intended as information to accompany this policy.

Source: www.uregina.ca/presoff/vpadmin/policymanual/research/14020.shtml (26 April 13)

Exhibit 8.8—Policy for Recovery of the Indirect Costs of Research and Service Contracts

Policies and Procedures Manual

140 – RESEARCH SERVICES

Policy Number: 140.30

Name: Recovery of the Indirect Costs of Research and Service Contracts

Origin: Vice-President (Research and International)

Approved: October 2006

Approval Process: President

Revision Date(s):

The majority of research on campus is supported by some combination of University infrastructure, administrative and clerical support, and, in some cases, with direct funding from the University. The provision of institutional space or service support is an indirect cost incurred by the university. "Indirect costs" are therefore defined as those expenditures incurred in the conduct of research that are not readily or effectively traceable to specific expenses and can include, but are not limited to, the provision of space, the use of maintenance of equipment, staff resources as provided by such offices as Research Services, Financial Services or Human Resources, and a proportionate share of other costs, such as insurance and legal fees.

To insure that the necessary institutional support is available to researchers and service providers, a recovery charge for indirect costs is applied to research grants and service contracts. The implementation of the policy will be consistent with other universities' prevailing rates. There is no intent to make the University non-competitive with respect to the overheads charged to contracts and grants offered to or undertaken at other universities and research institutions.

The University of Regina recovery policy applies to all research and service contracts undertaken by employees at the University of Regina that are eligible for recovery of indirect costs.

Research and Service Contracts and Grants from Business and Industry

1. Recoveries will be: (a) no less than 40% of total direct costs of all contracts or grants for work undertaken within the physical confines of the University; or (b) no less than 20% of total direct costs for work undertaken off campus.

Contracts with Government

2. Federal government contracts, when recovery of indirect costs is permitted, will be assessed at: (a) no less than 40% of the total direct costs for work undertaken within the physical confines of the university; (b) no less than 20% of the total direct costs for work undertaken off campus; or (c) will be charged at the rate provided to other universities receiving funding from the federal government.
3. Provincial government contracts, when recovery of indirect costs is permitted, will be assessed at: (a) no less than 40% of the total direct costs for work undertaken within the physical confines of the university; (b) no less than 20% of the total direct costs for work undertaken off campus; or (c) will be charged at the rate provided to other universities receiving funding from the provincial government and/or will be charged at an average of the prevailing rates determined from a selection of other Canadian universities.

Contracts with Non-for-Profit / NGO's

4. Recoveries will be: (a) no less than 20% of total direct costs for work undertaken within the physical confines of the university; or (b) no less than 15% of the total direct costs for work undertaken off campus.

Exceptions to the Above Policy

5. When specific agreements have been negotiated with a company, institute or other service contractor, the negotiated rate will be applied to all contracts and grants provided by that funder. Such agreements may only be made by the Vice-President (Research and International).
6. Other exceptions require the permission of the Vice-President (Research and International) and must be secured in advance of the contract award or grant application.

Distribution of the Indirect Costs

7. Normally, indirect costs will be equally divided between the university and the faculty that houses the employee(s). If more than one faculty is involved, the faculty share will be allocated in proportion to the proposed allocation of the work.
8. A faculty may choose to allocate a portion of its share of the recoveries of indirect costs to support the work of the employee(s) involved.
9. For research undertaken or service provided by a university wide research institute or centre that reports directly to the Vice-President (Research and International), the Vice-President will negotiate a share of the indirect cost recoveries with the centre or institute.

Source: www.uregina.ca/presoff/vpadmin/policymanual/research/14030.shtml (26 April 13)

Exhibit 8.9—Policy on Conflict of Interest, Conflict of Commitment and External Directorships

Policies and Procedures Manual

20 – HUMAN RESOURCES

Policy Number: 20.140.02
Name: Policy on Conflict of Interest, Conflict of Commitment and External Directorships
Origin: University Secretariat
Approved: February 2012
Approval Process: Board of Governors
Revision Date(s): February 2012

Introduction

The University of Regina's principal missions are the education of students and the generation and dissemination of knowledge. In pursuit of these missions, or as a natural outgrowth of such activities, University members often become involved in outside activities. As a place of learning, the University supports opportunities for its officers, faculty, staff, and students to be involved in professional interests and activities compatible with the university enterprise. While such activities benefit the University and are generally encouraged, in some circumstances such activities give rise to actual or perceived conflicts of interest or commitment.

Conflicts of interest and conflicts of commitment should be avoided whenever possible. University members should use good judgment, professional commitment and ethics to protect themselves and the University from potential conflicts.

This policy sets out a mechanism for identifying and addressing conflicts of interest and conflicts of commitment, whether real or perceived, so that the University's constituencies can be confident that:

- decisions and actions are not inappropriately influenced by personal interests; and,
- a University member's involvement in outside activities does not substantially interfere with his/her primary commitments to the University, including to teach, to conduct research and to meet related obligations to students, colleagues and the University.

This policy aims to educate, to minimize the occurrence of conflicts of interest and conflicts of commitment, and to manage such conflicts in a clear and consistent fashion when they arise. There are different levels of conflicts, varying from the trivial (where simple disclosure suffices) to the serious (where the individual must be completely removed from a particular process or decision).

Most conflicts of interest or conflicts of commitment can be resolved in a manner mutually agreeable to the individual and to the University.

DEFINITIONS

Within this policy, the following terms shall be interpreted as follows:

the "best interests of the University"
means the course of action that is most consistent with the values, mission, and goals of the University, as well as its legal and contractual obligations.

"business"
means any corporation, partnership, sole proprietorship, firm, franchise, association, organization, joint venture, trust, or any other separate legal entity organized for profit or non-profit or charitable purposes.

"closely associated person"
means a person related by blood, adoption, marriage or common-law marriage (with a person of the same or the opposite sex) to the University member or a person (of the same or the opposite sex) with whom a University member has an intimate personal relationship; it may also include an individual with whom a University member has had such a relationship.

"financial interest"
means an interest in a business consisting of

(a) any stock, stock option or similar ownership interest but excluding any interest arising solely by reason of investment in such business by a mutual fund, pension fund, or other institutional investment fund over which the University member does not exercise control;

(b) receipt of, or the right or expectation to receive, any income or benefit from such business whether in the form of a fee, honorarium, commission, salary, allowance, forbearance, forgiveness, interest in real or personal property, dividend, royalty derived from the licensing of technology, rent, capital gain, or any other form of compensation, or any combination of the foregoing; or,

(c) an interest as a director, officer, employee, trustee or agent.

"personal interests"
means the personal, private, or financial interest of a University member or a closely associated person.

the "supervisor"

1. of the President is the Chair of the Board of Governors;
2. of a Vice President and the Executive Director, University Governance is the President;
3. of an Associate Vice-President, Dean, or Director is the person to whom that individual reports;
4. of any other University member, faculty or staff, who is employed at the University:
   - in a faculty position in a departmentalized Faculty or other academic unit is the Department Head;
   - in a faculty position in a non-departmentalized Faculty or other academic unit is the Dean;
   - in a librarian or archivist position is the University Librarian;
   - in other than a faculty position is the Dean of the Faculty, or the Director or equivalent of the unit, in which the University member works;
5. of a graduate student is the Dean of the Faculty of Graduate Studies and Research;
6. of an undergraduate student is that student's Dean;
7. of any other person who is not an employee or a student of the University is the President or appropriate Vice-President, Associate Vice-President, Dean, or Director as determined by the President.

"University member"
means all officers, faculty, staff, and students of the University, whether full-time, reduced, or part-time, and any other person while acting on behalf of or at the request of the University including, but not limited to, members of a University committee (including the Senate and the Board of Governors), persons giving advice or providing services to the University at the request of the University, and anyone involved in a University decision-making process.

STATEMENT OF PRINCIPLES

All University members should make fulfillment of their responsibilities to the University the focal point of their professional activities. University members should only become involved in external professional activities insofar as they advance the mission or prestige of the University and the activities do not interfere with their responsibilities to the University.

A University member is required to disclose a conflict of interest or conflict of commitment where it exists, or might reasonably be perceived to exist. Normally, the University member will not participate in a University decision or process that involves a conflict of interest, but shall instead declare the conflict of interest and then remove themselves from the decision, discussion or process in question. A University member will not participate in any activity that involves a conflict of commitment unless such activity has been approved in advance by the supervisor and, if such approval has been given, any terms or conditions made by the supervisor regarding such activity are fulfilled.

SCOPE

The policy applies to everyone who is a "University member," as defined above. The policy also applies to Board of Governors members involved in University committees and activities except during Board meetings when the Board Conflict of Interest Policy applies. Conflicts of interest or commitment arising amongst Board members outside of Board of Governors meetings will be dealt with by the Chair of the Board of Governors. If the conflict involves the Chair, the Governance and Nominations Committee of the Board will deal with the conflict in the absence of the Chair.

The policy is intended to be exercised together with any applicable collective agreement, as well as with other related University of Regina policies. Where existing policies have not yet been brought into conformity with this policy, this policy will prevail.

DEFINITION OF CONFLICT OF INTEREST

A conflict of interest exists where there is a divergence, whether real or perceived, between the personal interests of a University member and that member's professional obligations or fiduciary duty to the University such that an impartial observer might reasonably question whether the University member's actions or decisions are determined or influenced by considerations of that private interest or personal gain, financial or otherwise. A conflict of interest depends on the situation, and not on the character or actions of the University member.

Conflicts of interest situations take many forms. Examples include, but are not limited to, cases in which a University member:

- conducts a review, assessment or evaluation of a project or colleague, the outcome of which may enhance the University member's personal interests;
- is party to a decision on the part of the University to enter into a contract (including collective agreements) that may enhance the University member's or a closely associated person's financial interests;
- evaluates work done by a student or an employee who is a closely associated person;
- directs students or staff of the University to carry out work for a business in which the University member or a closely associated person has a financial interest;
- participates in a University recommendation or decision that affects the employment of a closely associated person;
- makes extensive use of University resources to further his or her personal interests or those of a closely associate person; or,
- uses information, acquired in the course of University activities, that is not in the public domain for personal gain or to advance the University member's personal interests or those of a closely associated person.

DEFINITION OF CONFLICT OF COMMITMENT

University members owe their primary professional allegiance to the University, and their primary commitment of time and intellectual energies should be to their University obligations (the education, research, scholarship and administrative programs of the University). A conflict of commitment is a particular type of conflict of interest. A conflict of commitment occurs where the external or personal activities and undertakings of a University member are, or might reasonably be perceived to be, so substantial as to interfere with the University member's primary commitment and allegiance to the University. It is also a conflict of commitment for a university member to use University resources (including facilities, personnel, equipment or confidential information), except in a purely incidental way, as part of their external activities or for any other purposes that are unrelated to the education, research, scholarship and public service missions of the University.

This policy is not intended to prevent a University member from participating in non-University activities, but rather to ensure that such involvement does not compromise the ability of the University member to fulfill his or her commitment to the University.

Conflicts of commitment may arise with respect to the distribution of effort between a University member's obligations to the University and his or her commitment to outside professional activities. Activities such as consulting, involvement with professional societies, public service, pro bono work, or private practice in the member's profession are appropriate insofar as they promote the professional development of University members and enrich their contributions to the University, to their profession, and to the various communities that they serve. However, such activities must be managed so they do not take precedence over a University member's primary commitment to the University.

Examples of conflict of commitment include, but are not limited to, cases in which a University member:

- is involved in an activity that requires regular, extensive absence from the University during normal hours of business, or involves work during their regular working day at the University; or,
- undertakes outside employment which interferes with the performance of University duties and responsibilities.

PROCEDURE

Disclosure

A University member shall disclose to his or her supervisor any conflict of interest or conflict of commitment that exists or might reasonably be perceived to exist. In addition to disclosure to a supervisor, it may also be appropriate to disclose such conflicts, whether real or perceived, to another University official (such as the Manager of the Office of Research Services or the Manager of Cooperative Education).

Disclosure shall be made in each of the following circumstances:

- as soon as any situation arises that creates, or may be perceived to create, a conflict of interest or commitment for a University member, or as soon as the University member is aware of such a situation;
- where appropriate, in any required annual report of a University member's activities or plans or both;
- where appropriate, prior to the appointment of the University member;
- when required by a particular grant or contract;
- where otherwise required in accordance with this policy.

Normally, a disclosure of a conflict of interest or commitment shall be made in writing. Minor conflicts, such as those that may arise during a committee meeting, may be disclosed verbally to the chair. Members of Boards or Committees who feel that a conflict of interest may occur with a particular agenda item should declare such conflict prior to or at the beginning of the meeting.

If a University member is uncertain as to whether a conflict of interest or conflict of commitment exists or is likely to exist, the University member shall discuss the situation with the supervisor or other appropriate officer of the University.

Procedures for Handling Conflicts of Interest or Commitment

The supervisor to whom a conflict of interest or commitment is disclosed shall decide whether a conflict exists, whether it will be permitted to continue and, if so, under what, if any, conditions.

The supervisor shall base this decision on a determination of the course of action that is in the best interests of the University. In making this determination, the supervisor may take into account the following factors:

- any possible harm to the interests of students, research participants, clients of University services, or others served by the University, should the conflict be permitted to continue;
- any possible harm to the University or its employees, officers or others acting on its behalf if the conflict were allowed to continue;
- whether reasonable alternative arrangements which do not involve a conflict of interest or conflict of commitment can be made;
- the consequences to the University and its reputation and future activities of not permitting the conflict of interest or conflict of commitment to continue;
- the consequences to the University and its reputation and future activities of permitting the conflict of interest or conflict of commitment to continue;
- the educational, research, economic and other interests of the University; and,
- the rights and interests of the University member.

A supervisor may request additional information from the University member and may consult with others before making a decision relating to a conflict of interest or conflict of commitment. In dealing with some specific types of conflict, supervisors shall follow any additional guidelines set out in any other relevant policy.

A supervisor may impose terms and conditions before permitting a conflict of interest or conflict of commitment to continue, or for managing such conflict.

The supervisor's decision shall be communicated in writing to the University member and may be appealed as described below. A record of the supervisor's decision will be provided to Human Resources in order that it can be maintained as part of the University member's personnel file.

A decision concerning an ongoing conflict of interest or conflict of commitment may be reviewed by the supervisor at appropriate intervals. The original decision may be reversed or varied.

Annual Certification

Upon hire and subsequently, on an annual basis, all University members must certify to their supervisor their compliance with this policy. The University may request University members to complete the **Confidentiality and Conflict of Interest and Conflict of Commitment** form.

PROCEDURES REGARDING EXTERNAL DIRECTORSHIPS

As a general rule University members may be appointed to an external board of directors ("external directorship") of both for-profit and non-profit corporations provided that such appointment will not create a conflict of interest or conflict or conflict of commitment.

Subject to the exceptions described in this policy, before accepting an external directorship appointment, a University member shall, through his/her supervisor, seek and obtain permission from the

President, who has designated the University Secretary to review and respond to each request. In the case of the President, permission from the Chair of the Board of Governors should be obtained. Provided the above criteria are met, and subject to this policy, permission for the external directorship may be granted. If appointed to an external directorship, the University member must then disclose such fact to the University Secretary which will be the office of record for documenting external directorship appointments.

For-Profit Corporations: Permission for a University member to serve as a director of a public corporation selling shares to the public may be given. Prior to approving a directorship on a for-profit corporation, consideration must be given to the perception that some purchasers of stock will buy on the basis of their confidence in the directors of such company and some buyers will assume that the University tacitly has approved of the corporation and it may result in some adverse publicity to the University.

External directorships in closely-held private corporations set up to handle the private investments, real property interests, or estates of a University member do not require the approval of the President provided that the external directorship with such corporation does not cause or create a conflict of interest or conflict of commitment. Such external directorships must nonetheless be reported to the University member's supervisor, and the University Secretary.

External directorships in closely-held private corporations set up to handle the University member's consulting work or which relate to the University member's expertise in the University require the approval of the President as described above.

University External Directorship Appointments

There are occasions when a University member may be appointed to a board of an external corporation:

(a) in their official University capacity;
(b) by virtue of their position within the University; or
(c) as the University's appointee to such board of directors,

(a **"University External Directorship"**). The President has the authority to make these appointments on the University's behalf (unless otherwise prescribed in legislation (i.e. Wascana Centre Act). If it is the President that will be appointed to a University External Directorship, the Board Chair has the authority to make this appointment (unless otherwise prescribed). The President (or Board Chair, as the case may be) will confer the appointments of University members to serve in a University External Directorships in writing. Prior to accepting such a University External Directorship the University member shall ensure that the corporation has agreed in writing that she or he may disclose confidential information pertaining to the corporation to the University on a confidential basis. When a University member is assuming the a University External Directorship appointment from a previous University member, the records and files relating to this University External Directorship will transfer to the newly appointed University member. All University External Directorship appointments shall be recorded in the office of the University Secretary.

Procedure number 20.140.21 for **"Procedures for External Directorships in a University Capacity"** shall apply and be adhered to in respect of University External Directorships.

IMPLEMENTATION

The University may develop guidelines or procedures to assist in the administration of this policy.

ACCESS TO DISCLOSURES

Disclosures made under this policy will normally be treated as confidential. However, in order to meet the objectives of the policy it will sometimes be necessary for the University to permit persons within the University, and, in some circumstances, persons outside the University, access to information about such disclosures and the terms and conditions imposed by the University. Reasonable efforts shall be made to advise the University member in writing before such disclosures are made available to persons outside the University. Disclosures may be made to third parties when required or permitted by University policies or procedures, or by law.

University members should be aware that disclosure of conflicts of interest or conflicts of commitment may be required for other University processes. For example, whenever a University member is engaged in research that involves a conflict of interest or conflict of commitment, it may be necessary or appropriate for the member to disclose the conflict to the appropriate University ethics committee. This would be especially important where the conflict might adversely affect the research design or subjects of the research.

COMPLIANCE

Failure to disclose a potential or existing conflict of interest or conflict of commitment, or to otherwise comply with this policy may result in disciplinary action being taken (up to and including termination of employment) in accordance with the applicable collective agreement, employment contract, or other applicable disciplinary process.

APPEALS

Any University member in a conflict of interest or conflict of commitment situation who is not satisfied with the decision made by a supervisor under this policy may appeal the decision within thirty days of receiving written notice of the decision. The University member shall submit a written statement outlining the grounds of appeal, together with any relevant documentation, to the University Secretary, who shall make a final decision in consultation with the supervisor's supervisor, normally within thirty days. The University Secretary may extend that time upon giving notice to the appealing University member if it is desirable to consult with others or consider the matter further before making the decision. An appeal decision shall be in writing and shall be final and binding on the University member (although it may be subject to the grievance arbitration procedure of the relevant collective agreement, if applicable).

The decision of the President (or the Chair of the Board of Governors, as the case may be) granting or refusing permission for an external directorship is final and binding, and is not subject to review or appeal.

EFFECT ON COLLECTIVE AGREEMENTS

Nothing in this policy shall be construed as limiting any right of grievance or arbitration that exists under an applicable collective agreement, or the right of the University to discipline a University member for failure to comply with this policy.

REPEAL OF POLICY 20.140

This Policy repeals and replaces

(a) Policy 20.140 – Policy on Conflict of Interest and Conflict of Commitment;
(b) Board of Governors Handbook section 8.5: Commercial Directorships Held by Faculty and Staff

Source: www.uregina.ca/presoff/vpadmin/policymanual/hr/2014002.shtml (26 April 13)

9.0 SELECTED REFERENCES

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Chapter 16
Public Service Commission—MIDAS HR/Payroll

1.0 MAIN POINTS

The Public Service Commission (PSC) is the central human resource agency for staff employed primarily by government agencies. Effective May 25, 2012, the Public Service Commission (PSC) is under the responsibility of the Ministry of Central Services.

PSC is responsible for administering the human resources and payroll system – MIDAS HR/Payroll primarily for government ministries. We conduct an annual audit to determine if PSC has effective central controls to manage and secure MIDAS HR/Payroll.

In 2012, PSC had effective central controls with two exceptions. PSC has not signed client service agreements with all of its clients and therefore has not formally agreed upon respective responsibilities for key payroll activities. Also, staff did not always document their review of payroll reports or perform these reviews in a timely manner. This increases the risk of incorrect payroll amounts.

2.0 INTRODUCTION

Under *The Public Service Act, 1998*, PSC is the central human resources agency for about 12,000 staff employed primarily by Government ministries.[1] PSC provides leadership and policy direction for the development of a professional public service. PSC delivers human resource services including staffing, classification of positions, compensation and labour relations, and works with ministries in the delivery of human resource services.

Since March 2006, PSC has been responsible for the Multi-Informational Database Application System – human resources and payroll (i.e., MIDAS HR/Payroll). Since February 9, 2010, a centralized unit of PSC called the Employee Service Centre (ESC) has been responsible for providing employee, payroll, and benefit administration for all ministry employees.

MIDAS HR/Payroll helps PSC, ministries, and other government agencies manage employee information (i.e., benefits, salary, job assignment, and training) and processes payroll transactions. In the past year, MIDAS HR/Payroll recorded over $1.07 billion in payroll expenses.[2]

Given PSC's overall responsibility for MIDAS HR/Payroll, it must have effective central controls to manage and secure MIDAS HR/Payroll transactions and information.

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[1] Public Service Commission (2012). *2011-12 Annual Report*. Regina: Author.
[2] Ministry of Finance (2012). *Public Accounts 2011-12 Volume 2*. Regina: Author.

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether PSC had effective central controls to manage and secure MIDAS HR/Payroll for the eleven-month period[3] ending December 31, 2012. This audit did not assess the adequacy of controls at user agencies (e.g., ministries). Rather, it focused on the central controls to manage and secure MIDAS HR/Payroll at PSC.

User agencies rely on PSC, as a service provider, to have effective central controls and carry them out properly. We conduct this audit annually to support our audits of ministries and other government agencies that are PSC's clients.

We used audit criteria based upon the *Trust Services Principles, Criteria, and Illustrations* authored by the Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants, as well as international standards, literature, and reports of other legislative auditors. PSC agreed with the criteria.

Our criteria, set out in **Figure 1** below, describes the key processes that we expect PSC to have. Throughout our audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*. We based our findings on our examination of PSC's agreements, plans, reports, policies and processes. We also interviewed PSC staff and examined PSC's controls to secure MIDAS HR/Payroll.

Figure 1—Audit Criteria

Effective central controls to manage and secure MIDAS HR/Payroll systems and data should include control processes that:

1. **Monitor systems and data centrally**
   - 1.1 Responsibilities for managing and securing the system are clearly defined
   - 1.2 Management has approved policies and procedures
   - 1.3 Management monitors security and system operating as planned
2. **Protect systems and data from unauthorized access**
   - 2.1 User access controls protect the system from unauthorized access
   - 2.2 Physical security controls protect the system from unauthorized access
3. **Make systems and data available for operation**
   - 3.1 System and data backups occur and are tested
   - 3.2 Disaster recovery plans are in place and tested
4. **Maintain the integrity of systems and data**
   - 4.1 Processes to manage the system and data exist and are followed
   - 4.2 Change management processes exist and are followed

We concluded that, for the eleven-month period ending December 31, 2012, the Public Service Commission had effective central controls to manage and secure MIDAS HR/Payroll except for:

- **Completing the assignment of responsibilities for key payroll activities in its service level agreements with its clients**
- **Following its processes to document the timely review of key payroll reports**

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[3] MIDAS HR/Payroll underwent a significant upgrade in December 2011; therefore, our previous audit covered the period ended January 31, 2012.

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out our key findings and recommendations related to the audit criteria in **Figure 1**.

4.1 Working Towards Formalizing Responsibilities for Key Payroll Activities

We recommended that the Public Service Commission amend its service level agreements (SLAs) with ministries to clearly assign responsibilities for key payroll activities (i.e., managing payroll, approving payroll payments, and investigating payroll differences). (2010 Report - Volume 1; Public Accounts Committee agreement June 7, 2011)

Status – Partially Implemented

PSC completed a new client service agreement (CSA) template in 2012, replacing existing SLAs. This template sufficiently clarifies key payroll responsibilities between PSC and its clients. At December 31, 2012, 25 clients, including 14 ministries, use MIDAS HR/Payroll. PSC had signed the new CSA with 16 of its 25 clients.

Without signed CSAs, PSC and its clients receiving payroll services from PSC have not formally agreed to and may not understand their respective payroll responsibilities.

4.2 Need Timely Review of Payroll Reports

We recommended that the Public Service Commission consistently document its review of payroll reports and resolution of matters resulting from its review. (2010 Report – Volume 1; Public Accounts Committee agreement – June 7, 2011)

Status – Partially Implemented

Payroll procedures developed by and implemented at PSC require staff to regularly generate and review payroll reports. The reports help to identify specific risks associated with the payroll process. These risks include incorrect input of payroll information (e.g., number of hours from timesheets, unreasonable salaries, coding of hours worked), as well as inappropriate changes to payroll system information (e.g., creation of fictitious employees).

The review of the reports, as required by the payroll procedures, includes investigating identified significant differences or changes and requiring staff to initial, date, and file the reports as evidence of their completion of review prior to payroll being finalized.

During the audit period, the review of payroll reports was considerably improved from the prior year. However, appropriate staff did not always document their review of payroll reports including indicating the date of their review. Also, some staff did not always review the reports on a timely basis.

For example, during the year, a $1.4 million payment was made to an employee in error. The payroll report reflecting this error was not reviewed in a timely manner. While MIDAS HR/Payroll has edit controls to prevent this type of error from occurring, staff are able to override the edit controls making timely review of payroll reports a critical step in ensuring appropriate payroll payments are made. The overpayment was identified on the date of pay and was promptly recovered from the employee's bank account. Without review of reports prior to the date of pay, there is an increased risk of incorrect payroll payments.

5.0 SELECTED REFERENCES

Canadian Institute of Chartered Accountants (CICA) and the American Institute of Certified Public Accountants (AICPA). (2009). *Trust Services Principles, Criteria, and Illustrations*. Toronto: Author.

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Chapter 17
Regulating Drinking Water

1.0 MAIN POINTS

Municipalities, Saskatchewan Water Corporation, and others (e.g., Hutterite colonies, parks) own and operate public waterworks that provide drinking water to the majority of people in Saskatchewan. Public waterworks owners are ultimately responsible for providing safe drinking water to their consumers. The Water Security Agency (Agency) is responsible for regulating public waterworks owners.

The Agency regulates public waterworks by issuing permits, monitoring water test results, inspecting waterworks, and enforcing permits.

Our audit for the period of October 1, 2012 to March 31, 2013 found the Agency had effective processes to regulate public waterworks; however, improvements are needed to strengthen the Agency's processes to reduce the risk of a public waterworks providing unsafe drinking water. The Agency needs to:

- Perform timely inspections of all public waterworks
- Identify non-compliance in water tests in a timely manner
- Establish policies that result in consistent action when waterworks owners do not comply with permits
- Develop an enforcement policy for those waterworks owners that are failing to upgrade waterworks for new residential developments as promised
- Coordinate efforts with the Ministry of Government Relations to ensure feasible plans for water infrastructure upgrades are in place before approving new residential developments
- Align its regulations and permits with the national drinking water guidelines

Waterworks owners hire operators to run public waterworks. The first line of defence in providing safe drinking water is having a certified and skilled operator that runs the public waterworks and frequently tests the water to ensure it is safe. During our audit period, we found 18 public waterworks that did not have a certified operator. Some operators are working towards getting certified and six waterworks are planning to move to hygienic use where the permit will not require a certified operator. Waterworks without a certified operator are still required to test the water and are being inspected by the Agency.

The Agency issues permits to waterworks owners outlining expectations for keeping water safe. The second line of defence is that the Agency has the responsibility to regulate waterworks by receiving and monitoring the results of water testing and performing inspections to ensure permit expectations are being met. Where drinking water quality problems exist, the Agency issues drinking water advisories to notify the public of drinking water that is not safe. The Agency provides water quality information to the public through the SaskH20 website (www.saskh20.ca).

2.0 INTRODUCTION

Effective October 1, 2012, the Government reassigned (through Order in Council 519/2012) the responsibility for regulating drinking water provided by public waterworks under *The Environmental Management and Protection Act, 2002* (Act) and *The Water Regulations, 2002* (Regulations) to the Water Security Agency (Agency) from the Ministry of Environment. Public waterworks[1] include municipal waterworks, municipal wells connected to a distribution system, certain pipelines, and other public waterworks with a capacity of 18 cubic metres or more of water per day (which amounts to roughly 15 houses receiving water from one central source).

Municipalities and Saskatchewan Water Corporation (waterworks owners) own and operate the majority of public waterworks. The Agency is responsible for ensuring public waterworks owners are supplying safe drinking water to the public. The Agency regulates these public waterworks owners by issuing permits, periodically inspecting waterworks, and enforcing permits. Overall, the Agency regulates about 770 public waterworks.

These public waterworks provide drinking water to the majority of the people in Saskatchewan (around 85%) including schools and hospitals. Therefore, effective regulation of these waterworks is of particular importance to the health of the people in the province.

We audited the Agency's processes to regulate public waterworks.

3.0 BACKGROUND

3.1 Regulatory Standards

Safe drinking water is a vital component in the protection of public health and disease prevention and is therefore essential for the health and well-being of Saskatchewan citizens. Everyone in Saskatchewan needs a supply of safe, clean drinking water. Groundwater and surface water (i.e., lakes, reservoirs, rivers, and streams) serve as sources of drinking water for Saskatchewan residents.

As with many other provinces, Saskatchewan uses national drinking water quality guidelines set by Health Canada to establish indicators of drinking water quality. The national guidelines, known as the "Guidelines for Canadian Drinking Water Quality"[2] (Guidelines), cover bacteriological water quality standards, chlorine levels, turbidity (cloudiness) standards, and chemical (e.g., health and toxicity) standards. The Agency uses the Guidelines as the basis for its legal standards and requirements in permits it issues.

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[1] A waterworks is a system of reservoirs, channels, mains, and a water treatment plant by which a water supply is obtained and distributed to homes, schools, hospitals, etc.

[2] The Guidelines are available on Health Canada's website at www.hc-sc.gc.ca/ewh-semt/water-eau/drink-potab/guide/index-eng.php (April 2013).

The Guidelines are established by the Federal-Provincial-Territorial Committee on Drinking Water,[3] and are published by Health Canada on its website. As part of the Guidelines, Health Canada updates and publishes a table of substances along with the maximum acceptable concentration level for each substance. If a substance is found to exceed the acceptable concentration level, it is considered a contaminant.

Establishing and enforcing drinking water quality standards helps to achieve safe, clean drinking water. Waterworks owners frequently sample the water to assess its quality. Frequent inspections of public waterworks and monitoring of water sample tests by the Agency also help ensure waterworks owners provide water that is safe.

To assess water quality, water is tested for certain substances including bacteria, chlorine, turbidity, and chemicals. The bacteriological quality of drinking water and testing for bacteria are important because contamination of this type can result in significant illness and/or death within a short time. Disinfection using chlorine-based products is widely used in Saskatchewan as one of the methods to prevent spread of waterborne diseases and maintain water quality at a safe level. Turbid water – water that is cloudy - may indicate a large number of suspended particles and can be an indicator of ineffective filtration and/or disinfection of drinking water. The Guideline's health and toxicity parameters cover a range of naturally-occurring chemical substances (e.g., arsenic, lead, uranium) and other substances such as trihalomethanes, which may be produced during chlorine-based disinfection processes. Ingesting these substances has a potential for adverse health effects over the longer term.

3.2 Regulatory Regime

As of March 31, 2013, the Agency's Drinking Water and Wastewater Management section had a staff of 31 including 15 environmental project officers (EPOs) who regulate public water and sewage works. These individuals review applications and grant permits to construct or alter waterworks. They also grant permits to operate waterworks. Waterworks owners must comply with the standards set out in the permits. To ensure the waterworks owners are meeting the standards, the Agency monitors the results of waterworks owners' required water testing and it periodically inspects each waterworks and the water it produces. When a waterworks owner does not comply with the permit, the Agency has a variety of ways to enforce compliance and communicate its concerns to the waterworks owners and, if necessary, the public.

4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether the Water Security Agency had processes to effectively regulate public waterworks to ensure drinking water was safe for the period from October 1, 2012 to March 31, 2013.

This audit did not include waterworks that are not regulated by the Agency. The Agency does not regulate non-public waterworks (e.g., private wells), drinking water on First Nations reserves or other federal lands, or semi-public waterworks regulated by the

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[3] The Federal-Provincial-Territorial Committee is a well-established Committee that has been active for more than 20 years. Health Canada provides scientific and technical expertise to the Committee regarding the health effects associated with various drinking water contaminants. The Committee determines changes needed to the Guidelines based on technical research at meetings twice a year.

Ministry of Health (Health). Health is responsible under *The Public Health Act, 1994* for the regulation of about 1600 semi-public waterworks and waterworks with a capacity of less than 18 cubic metres of water per day. These semi-public waterworks include on-site water systems serving some restaurants, motels, campgrounds, and small parks.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate the Agency's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. Management agreed with the criteria (see **Figure 1**).

We examined the Agency's policies, processes, database, reports, and website. We tested a sample of permits, interviewed Agency staff, and attended various waterworks inspections with Agency staff.

Figure 1—Audit Criteria

To effectively regulate public waterworks to ensure drinking water is safe, the Water Security Agency should:

1. **Permit public waterworks**
    1.1 Set appropriate requirements for permits
    1.2 Communicate permit requirements to waterworks owners, operators and the public
    1.3 Verify applicants meet requirements
    1.4 Issue appropriate permits
2. **Monitor and enforce compliance with permits**
    2.1 Regularly assess compliance with permit terms and conditions
    2.2 Identify non-compliance
    2.3 Maintain records of water quality, complaints, and inspections
3. **Report and address identified non-compliance**
    3.1 Require action on non-compliance with permit terms and conditions
    3.2 Issue public advisories timely where appropriate
    3.3 Report non-compliance to waterworks owners, operators, Minister responsible and the public

We concluded that, for the period October 1, 2012 to March 31, 2013, the Water Security Agency had effective processes to regulate public waterworks except it needs to:

- **Inspect all waterworks and identify non-compliance with drinking water tests in a timely manner to better monitor waterworks owners**
- **Establish policies to direct staff to take consistent action on non-compliance**
- **Coordinate efforts with the Ministry of Government Relations to ensure feasible plans for water infrastructure upgrades are in place before approving new residential developments**
- **Develop an enforcement policy for those waterworks owners that are failing to upgrade waterworks for new residential developments as promised**
- **Align its regulations and permits with the national drinking water guidelines**

5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria in **Figure 1.**

5.1 Public Waterworks Being Permitted – Requirements Need Updating

5.1.1 Standards and Permits Need to be Updated

Waterworks owners must have a permit to operate a public waterworks. Permits require waterworks owners to keep drinking water within a certain standard, to sample and test drinking water periodically to ensure the standard is maintained, to hire qualified staff, and to annually report the water testing results to consumers.

Microbiological contaminants, such as E. coli and Giardia, if found in drinking water pose the greatest risk to human health, both in the short-term and long-term. Their effects range from nausea to liver infections to death. Chemical contaminants in drinking water are also a concern if found above certain levels. Long-term exposure can result in effects including cancer, decreased kidney function, and neurological disorders. Setting limits for these types of contaminants in drinking water helps keep people safe.

Saskatchewan drinking water standards are set out in *The Water Regulations, 2002* (Regulations). The Regulations refer to the Guidelines for Canadian Drinking Water Quality (described in **Section 3.1**). The Agency uses the Guidelines as the basis for its standard and requirements in its permits. Health Canada published its most recent Guidelines in August 2012. As of March 31, 2013, the Agency has been in the process of updating the Regulations to the August 2012 edition of the Guidelines. Therefore, at March 31, 2013, Regulations and requirements in certain permits were not up-to-date and in alignment with the Guidelines. For example, there were six relevant substances[4] found in the Guidelines that were not yet included in the Regulations and permit requirements for Saskatchewan. This means some permitted waterworks may not be monitoring and striving to achieve the current acceptable concentration levels as set out in the Guidelines.

1. **We recommend that the Water Security Agency complete its process to update *The Water Regulations, 2002* and its permits to align with the current Guidelines for Canadian Drinking Water Quality.**

In order to maintain water quality standards on a daily basis, waterworks owners are required to sample water on a daily, weekly, and monthly basis. The permits outline the required frequency of water testing. The Agency's protocol defines the minimum frequency that is dependent on various factors including water supply variations (surface or groundwater), treatment capabilities, and the size of the consumer population.

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[4] The six chemicals are bromate, chlorate, chlorite, cyanobacterial toxins, haloacetic acids, and 2-methyl-4 chlorophenoxyacetic acid.

5.1.2 Communicated Permit Requirements

The Agency communicates its requirements to waterworks owners and operators through the permits and *Saskatchewan's Drinking Water Quality Standards and Objectives* (Quality Standards and Objectives). The Quality Standards and Objectives are available to the public online at www.saskh20.ca (SaskH20 website).

5.1.3 Applicants Met Requirements to Obtain Permits to Construct or Modify a Public Waterworks

The Agency issues two types of permits: a permit to construct or modify a public waterworks and a permit to operate a public waterworks.

To obtain a permit to construct or modify a public waterworks, waterworks owners must complete a standard Agency application. Applications must include engineering reports for new waterworks systems or major modifications. Agency staff review applications and engineering reports to determine whether the proposed design will meet the requirements set out in law and the Agency's guidelines. The Agency issued about 60 such permits in our audit period.

Once the Agency approves the initial constructed waterworks, it issues a permit to operate. If the Agency issues a permit to modify the waterworks, the operational permit continues but may be modified at the Agency's discretion. The Agency regulates about 770 waterworks using operational permits.

In 2009, the Agency adopted a "parallel growth" policy. Under the policy, the Agency approved construction permits with a condition that allows a distribution system for a new subdivision to be built at the same time as a new waterworks supply infrastructure is being built or upgraded to support the new development.

5.1.4 Appropriate Operational Permits Issued

Agency staff, called environmental project officers (EPOs), are responsible for issuing operational permits to waterworks owners. There are two types of operational permits: hygienic use and human consumptive use. Hygienic use permits are for public waterworks that provide water for bathing or showering only, while human consumptive permits are for waterworks that provide drinking water. Hygienic use waterworks owners must also provide a human consumptive source of water to their consumers. Out of the 770 public waterworks about 120 are for hygienic use only.

The Agency has detailed protocol and permit templates to help guide an EPO through the permitting process. Human consumptive use permits are issued for a period of two to five years depending on the risks associated with the waterworks (e.g., water source being surface vs. groundwater, compliance history). We found human consumptive permits issued had consistent and appropriate requirements (other than not aligning with the current Guidelines as noted in **Section 5.1.1**), and were approved by an EPO.

5.2 Need More Timely Monitoring of Compliance

5.2.1 Assessing Non-compliance Through Water Testing

Waterworks operators monitor drinking water quality through regular water sampling. Permits outline the frequency of water sampling required for certain substances (i.e., chlorine, turbidity, bacteria, and chemicals).

Chlorine and Turbidity Testing

As required by the operating permits, waterworks operators test for chlorine and turbidity on a daily basis, and record the results. Waterworks operators must log the daily sampling results. Daily logs are required to be reviewed by waterworks owners on a monthly basis. The only way the Agency's EPOs know if logs are being kept and monitored is through the inspection process. The inspection process is further described in **Section 5.2.2**. As noted in **Section 5.3.1**, operators are not always maintaining adequate logs.

Bacteria and Chemical Testing

Water is also sampled for bacteria and chemicals that can adversely impact human health. Human consumptive waterworks owners are required to submit bacteriological samples at least once per month, and chemical tests at least every two years to accredited laboratories that perform water testing (e.g., the Saskatchewan Disease Control Laboratory in Regina or Saskatchewan Research Council in Saskatoon). Water quality can change after leaving the treatment facility, so sampling water quality through the distribution system is required. We found that the laboratories complete the tests and provide electronic results to the Agency, and written results to the waterworks owners and the operators. Due to the immediate health risks posed, the Agency and operator are notified by the accredited laboratories immediately if a water sample exceeds the bacteriological standards so that action can be taken. As described in **Section 5.3.2**, the Agency takes action when a water sample exceeds the bacteriological standards.

We found that some waterworks owners are not submitting the water samples for chemical testing as frequently as required by their permits. We also found that the Agency is not monitoring the chemical test results on a timely basis as described in **Section 5.2.2**.

5.2.2 Lacking Timely Identification of Non-Compliance

The Agency inputs waterworks owners' water test results as well as the test results it obtains directly when inspecting waterworks into its database and then uploads the data to the SaskH20 website.

The Agency monitors to ensure timely bacteriological water test results are submitted. However, the Agency is not always identifying water that does not comply with permits in a timely manner. For example, the Agency does not currently use the database to automatically notify EPOs if chemical (e.g., health and toxicity) water samples are not being submitted in accordance with permit frequency requirements due to data entry delays. The Agency does use the database to automatically notify EPOs when waterworks monitoring results indicate any instances where drinking water quality standards were not met. When they inspect, EPOs review water test results and parameters and discuss results with operators but, as noted below, some inspections are not taking place as regularly as required by policy.

Figure 2 shows sample submission and parameter result compliance for health and toxicity samples. In 2011-12, only 75%[5] of waterworks were submitting their health and toxicity water test results in accordance with the frequency required in their permit (health and toxicity sample submission compliance rate) and only 80%[6] of samples submitted complied with the acceptable concentration levels for health and toxicity substances (parameter standards compliance rate). **Figure 2** shows a decreased sample submission compliance rate over the past three years. This is because certain new health and toxicity standards took effect in December 2010 and therefore required waterworks to sample for health and toxicity substances by 2012 and not all waterworks complied.

Figure 2—Health and Toxicity (Chemical) Sample Submission and Parameter Result Compliance Rates

Fiscal Year	Health and Toxicity Sample Submission Compliance Rates (%)	Parameter Standards Compliance Rates (%)
2009-10	86	88
2010-11	89	84
2011-12	75	80

Source: 2011-12 State of Drinking Water Quality in Saskatchewan (Table 5)

As noted earlier, long-term exposure to health and toxicity chemicals can result in health problems including cancer, decreased kidney function, and neurological disorders. For most health and toxicity chemicals, boiling water will not remove the chemical; rather, there is a need for a varied water treatment method, which may require infrastructure changes. While not an immediate risk, testing and monitoring for these drinking water chemicals and striving to maintain them below water quality limits helps ensure people are kept safe.

2. **We recommend that the Water Security Agency identify non-compliance with drinking water sampling requirements in a timely manner.**

According to the Agency's inspection policy, all waterworks must have at least one inspection per year, and at least two per year if the waterworks serves a population greater than 500, or if a high risk has been identified (e.g., if the source water is surface water because surface water is subject to seasonal and other changes). An unannounced inspection is also required once every three years. **Figure 3** shows the number of inspections conducted in the past four years. We note a decrease in the number of inspections carried out in 2012-13 as compared to 2011-12 without a corresponding decrease in the number of waterworks.

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[5] *2011-12 State of Drinking Water Quality in Saskatchewan* report, Table 5.
[6] Ibid.

Figure 3—Annual Number of Inspections Conducted

Fiscal Year	# of Inspections conducted
2009-10	886
2010-11	886
2011-12	910
2012-13	724

Source: 2009-10 - 2011-12 State of Drinking Water Quality in Saskatchewan Reports

The Agency had difficulty being able to inspect in accordance with its policy during our audit period. As of March 31, 2013, we found that the agency had not inspected 67 waterworks (54 of which are located in the northern part of the province) in the past year as required by its policy. The risk of not having a comprehensive monitoring program including timely inspections is that water quality problems may go unnoticed and result in human illness. As of March 31, 2013, the Agency has filled some but not all staff vacancies in northern Saskatchewan for positions that are responsible to carry out waterworks inspections.

3. **We recommend that the Water Security Agency perform inspections of public waterworks in accordance with the frequency specified in its policies.**

During inspections, EPOs confirm the maintenance of daily logging by operators. They also look for upset conditions (e.g., instances where the disinfection level was not achieved) that permit holders are required to report to the Agency. EPOs also complete a checklist during the inspection that helps them conclude whether requirements are being met. We found EPOs properly complete checklists. Using the checklist, staff inspect a number of areas as set out in **Figure 4**. This checklist appropriately covers all areas of the permits.

Figure 4—Summary of Areas Covered During Inspections of Human Consumptive Waterworks

- Distribution System (e.g., new and repaired pipelines are disinfected?)
- Water Storage Reservoirs (e.g., cover is tight? reservoir is in good repair?)
- Water Treatment Plants and Pump houses (e.g., drain lines to sanitary sewers have trap? water meter installed? facility is clean and orderly?)
- Disinfection (e.g., chlorine residual is being met?)
- Testing (e.g., chlorine monitoring occurring and meeting standards? chemical sampling being conducted and meeting standards? turbidity tests being conducted and meeting standards? samples are being submitted to an accredited laboratory?)
- Operational Records (e.g., samples being logged? upset conditions are being recorded? daily water meter reading is being recorded? able to identify the recorder?)
- Annual Notice to Customers (e.g., complete and is accurate?)

Source: Water Security Agency's Consumptive Use Inspection Report (can be found at www.saskh20.ca)

5.2.3 Records of Water Quality, Complaints and Inspections Maintained

The Agency maintains records of water quality and inspections through its database and maintains individual files for each permitted waterworks. Also, the Agency records any complaints it receives and how they were dealt with. The Agency stated that most public complaints are made directly to the waterworks owners. The Agency verifies the quality of water by monitoring water test results from accredited laboratories and testing water quality when conducting inspections. Water quality information and inspection results are available to the public on the SaskH20 website.

5.3 Non-Compliance Needs to be Addressed

5.3.1 Action Required on Non-Compliance With Permit Terms and Conditions

Once an inspection is complete, an EPO discusses all identified issues with the waterworks operator. Both parties sign the inspection report as evidence that the discussion took place. The Agency also provides the inspection results to waterworks owners. We found that inspections, once complete, are posted on the SaskH20 website in a timely manner.

The Agency has a quality control process for inspections. A Chief Inspector accompanies each EPO to at least one inspection per year to ensure they are adequately fulfilling their job responsibilities and consistently completing inspections. We found that the Chief Inspector completes a form that summarizes any performance concerns, and then provides this form to the EPO and the EPO's manager.

As discussed above, the Agency determines non-compliance with water quality through monitoring water test results, receiving notifications of upset conditions from the waterworks operator, and through conducting its own inspections. The Agency's staff inform waterworks operators about the law and Guidelines in a variety of ways. EPOs provide information sheets and verbal guidance. In addition, EPOs' inspection reports, given to waterworks owners and operators at the time of inspection, usually document the action required to address the non-compliance issues. For example, in a case of a water storage reservoir, the EPO will check that it is properly sealed. If it is not, the EPO will direct it be done.

Continued non-compliance with permit terms and conditions can result in a variety of actions. Non-compliance that does not result in immediate drinking water quality problems (e.g., poor recordkeeping, unclean water treatment plant) may result in verbal warnings. These are documented on the inspection form and in the EPO's notebook. The Agency can issue a notice of violation or a warning letter when follow-up requirements identified through previous inspections or correspondence were not complied with. In 2011-12, there were 23 written warnings issued.[7] The Regulations allow for administrative penalties up to $5,000 for non-compliance. Serious offences result in prosecution. In 2011-12, there were 16 cases where charges were laid and 5 convictions.[8]

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[7] 2011-12 State of Drinking Water Quality Report, p. 25.

In comparing inspection reports for 30 waterworks, we found that the Agency did not have a consistent way of addressing non-compliance with permit conditions. For example, 18 out of the 30 waterworks we looked at had issues that continued from one inspection to the next. Issues that continued included: sampling not being performed as required by the permit, drinking water quality standards not met, annual notices to consumers not being provided, and improperly sealed water storage reservoirs. Similar non-compliance issues were found during the Agency's inspections as shown in **Figure 5.**

Figure 5—Three Year Summary of Non-compliance Issues by Inspection Element

Inspection Element	2009-10	2010-11	2011-12
Disinfection of water not continuous at plant	16	10	18
Disinfection (i.e., free chlorine > or = 0.1 mg/L) of water leaving the plant on one or more days not at the appropriate level	111	76	126
Monitoring daily chlorine not occurring	60	59	62
Reservoirs not in good repair	17	16	20
Water treatment plant not in a clean and orderly condition	18	16	24
Chlorine in the distribution system on one or more days not at the appropriate level	112	120	128
Bacteriological testing after completion, alteration, extension or repair not done	19	12	14
Reporting of chlorine upsets not occurring	52	46	44
Inadequate record keeping	38	37	60

Source: 2009-10 to 2011-12 State of Drinking Water Quality in Saskatchewan Reports (Table 7)

Note: The Agency inspected 886 waterworks in 2009-10 and 2010-11 and 910 waterworks in 2011-12. Disinfection/chlorine issues in the table represent one or more days in the year where a waterworks did not maintain or record an adequate chlorine level. A waterworks owner tests for adequate disinfection levels on a daily basis.

Also, as of March 31, 2013, we found 18 waterworks that did not employ a certified operator as required by the permit. Some of these operators are working towards getting certified. Six of these waterworks are planning to move to hygienic use where the permit will not require a certified operator. Waterworks owners hire operators to run the waterworks. Waterworks without a certified operator are still required to test the water and are being inspected by the Agency. Most waterworks permitted for human consumptive use are required to have an operator certified through the provincial Operator Certification Board to oversee the waterworks. Some smaller municipal waterworks are only required to have an operator who is trained in waterworks operations but not certified, or the local waterworks operator can be overseen by a regional certified operator who visits the waterworks once a week. Certified operators can help maximize the performance of waterworks facilities, protect the waterworks infrastructure, and protect public health by having the skills, knowledge, and judgment to perform their work competently.

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[8] Ibid.

The Agency does not have adequate policies that guide staff when waterworks do not comply with permits. Without written guidance, the same problems may be handled differently, even in similar situations. This increases the risk of problems continuing, ultimately compromising drinking water safety.

4. **We recommend that the Water Security Agency establish policies to consistently address non-compliance by waterworks owners and take action when they do not comply with permit conditions.**

The Ministry of Government Relations (Government Relations) plays a part when it comes to the construction or modification of a public waterworks. Given the high cost of waterworks infrastructure, constructing or modifying a waterworks can cost millions of dollars. In the past, Government Relations provided financial support through federal-provincial funding initiatives to municipalities looking to undertake significant waterworks upgrades. To assist Government Relations in deciding funding approvals, the Agency provided a list of waterworks that are in need of upgrading because of poor water quality. As of December 31, 2012, this list included 70 waterworks.

Also, Government Relations is responsible for review and approval of certain subdivisions. When requested, the Agency provides comments to Government Relations for the subdivision review because Government Relations wants to know whether the existing waterworks will be able to adequately serve the residential development. However, sometimes Government Relations has given approvals for residential developments when the subdivision expansion will not be adequately served by the existing waterworks. Government Relations requires waterworks to be upgraded by the time development is done. However, such upgrades are not always occurring in a timely manner.

5. **We recommend that the Water Security Agency and the Ministry of Government Relations coordinate their efforts to ensure waterworks owners have feasible plans for upgrading water infrastructure before approving new residential developments to ensure sufficient infrastructure exists as development occurs.**

Once the subdivision is approved, the municipality will then apply to the Agency to extend water mains to serve the subdivision even though the existing waterworks may not be adequate to support further development. To deal with such instances, the Agency issues permits for construction under the "parallel growth" policy, as noted in **Section 5.1.3**. The policy allows construction permits issued to include conditions where waterworks owners provide written commitments that waterworks upgrades will take place as residential development occurs.

As of March 31, 2013, the Agency had approved 26 construction permits under the "parallel growth" policy. Five of these construction permits have drinking water implications and the remainder relate to wastewater treatment improvements needed. While such written commitments were provided, some waterworks owners have not fulfilled their commitments and undertaken upgrades by the deadlines required. This has resulted in residents moving into new developments before the upgraded water infrastructure is in place. During our audit period, we found instances where residential developments had inadequate wastewater capacity (i.e., lagoon capacity) but not inadequate drinking water infrastructure. As with all waterworks, the Agency inspects the water distribution system that serves the new development. If the Agency finds the new development impacts the quality of water, a drinking water advisory is issued (which is further described below).

6. **We recommend that the Water Security Agency determine an appropriate enforcement policy for waterworks owners that do not fulfill their commitments to upgrade waterworks for new residential developments.**

5.3.2 Timely Public Advisories Issued

When non-compliance with permit conditions indicates a drinking water quality problem, the Agency may issue a Precautionary Drinking Water Advisory (PDWA). If a confirmed threat to the public exists, the relevant Regional Health Authority (health region) will issue an Emergency Boil Water Order (EBWO). Health regions issue EBWOs in consultation with the Agency when a threat to public health (i.e., microbial contamination) has been confirmed. The Agency issues PDWAs in consultation with health regions when there is a possibility that problems may exist even if an immediate public health threat has not been identified. Waterworks owners are responsible for making the public and the affected consumers aware that a PDWA or an EBWO has been issued. We found that PDWAs were issued when required.

Under a PDWA or an EBWO, water must be boiled before it is used for drinking purposes or used for any other activities where it could be consumed (e.g., brushing teeth). As of December 2012, waterworks regulated by the Agency had 74 PDWAs and two EBWOs. 33 of those 74 PDWAs have been in place for more than two years. Most of those 33 PDWAs have inadequate disinfection and in certain cases, water infrastructure changes are required to fix the problem. See **Figure 6** for PDWAs over the past three years.

Figure 6—Number of Precautionary Drinking Water Advisories (PDWAs) and Emergency Boil Water Orders (EBWOs)

As of March 31	Number of PDWAs	Number of EBWOs
2010	68	-
2011	69	-
2012	76	2

Source: State of Drinking Water Quality in Saskatchewan (2011-12 and 2010-11)

5.3.3 Non-Compliance Publicly Reported

Waterworks owners are required to report water quality results to consumers on an annual basis. During the inspections, EPOs check for compliance with this requirement.

The Agency also collects and stores data on water quality. We found the Agency disseminates water quality information to the public on a regular basis via the SaskH20 website.

The Agency will continue to produce an annual report on the state of drinking water quality (previously done by the Ministry of Environment).

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Chapter 18
Rehabilitation of Young Offenders

1.0 MAIN POINTS

The Ministry of Justice (Ministry) is responsible for delivering programs and services to rehabilitate young offenders.

We planned to conduct an audit in 2013 of the processes that the Ministry uses to rehabilitate young offenders. This audit was selected because of the importance of the Ministry's work to help prevent youth from repeating criminal activities and continuing into an adult life of crime. Saskatchewan has the highest youth crime rate in Canada, which is 3.1 times the national average.[1] Research has shown that some youth will continue to commit offences well into their adult lives. If young offenders do not receive the right rehabilitation services at the right time, they are more likely to continue to offend into their adult lives and become burdens on society. The Ministry spent $52 million on Young Offender Correctional Services in 2011-12[2] to work with about 4,400 youth admitted into community sentences, and 500 youth admitted into custody.[3]

This audit about rehabilitation of young offenders was the final audit planned to complete our work on the Ministry's rehabilitation processes. We previously completed audits about rehabilitation of adult offenders in provincial correctional institutions and the community in 2008 and 2011, respectively.

We were unable to conduct our audit because we were denied access by Cabinet to the young offender case management files. The federal law that restricts access to young offender files specifically refers to the granting of access through either an order of the Youth Court or an Order in Council from Cabinet. The Ministry of Justice worked collaboratively with us and submitted a request to Cabinet to provide us with access to young offenders' case management files. However, Cabinet denied us access while at the same time providing access to others (e.g. employees of the Ministry conducting research and evaluation) through Order in Council. Our Office determined it would not be a good use of public resources to incur the cost of seeking a court order when Cabinet has the ability to grant us access at no additional cost.

2.0 INTRODUCTION

The Ministry carries out its corrections operations under *The Correctional Services Act* and *The Correctional Services Administration, Discipline and Security Regulations, 2003.* The Ministry's mission includes the promotion of safe and secure communities.[4] Its responsibilities include delivering programs for individuals in conflict with the law. The Ministry uses a variety of programs and services to rehabilitate offenders in correctional centres and in the community.

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[1] Ministry of Justice, Fact Sheet, *Police-Reported Crime Statistics in Canada*, July 2012, p. 3.
[2] Ministry of Corrections, Public Safety & Policing, *2011-12 Annual Report*, p. 28.
[3] Saskatchewan Young Offender Case Administration and Management System.
[4] *Ministry of Justice Plan for 2013-14*, p. 2.

3.0 BACKGROUND

In Canada, youth and adults accused of crimes have been governed by separate justice systems for over a century. From the introduction of the *Juvenile Delinquents Act* in 1908, to the *Young Offenders Act* in 1984, to the *Youth Criminal Justice Act* enacted in 2003, it has been long acknowledged that the principles of justice that apply to adults are not necessarily suitable for youth.[5]

The *Youth Criminal Justice Act* (Canada) (Act) deals with youth aged 12 to 17 who break federal laws (young offenders). In Saskatchewan, the Ministry is responsible for administering the provisions in the Act. The Provincial Youth Courts hear cases involving young offenders. The Ministry's Custody, Supervision and Rehabilitation Services Division is responsible for carrying out court orders and ensuring the programs and services outlined in the Act are available. Young offender programs are delivered by community and custody staff in four regions across the province and include eighteen community offices and eight custody programs (including six designated for secure custody). According to the Ministry, the practices used to rehabilitate young offenders are similar across all regions. However, the specific services or programs to rehabilitate young offenders vary in response to individual needs and the available resources in each location.

Attitudes surrounding youth and their involvement in Canada's justice system have transformed and evolved over many years. Under the Act, emphasis is placed on attempting to divert youth (ages 12 to 17) accused of minor, non-violent offences away from the formal court system through the use of diversionary and extrajudicial measures. These measures are meant to provide timely and meaningful consequences for youth while avoiding the stigma attached to formal involvement in the justice system.[6] A custody sentence is reserved for youth with a history of serious and/or violent offences.

Saskatchewan continues to have the highest youth crime rate in Canada, which is 3.1 times the national average.[7]

During 2011-12, there were over 4,400 admissions of young offenders to community sentences and over 500 admissions into custody. [8] Of these youth, over 60% are at high risk to commit further crimes.[9] Ministry data shows that in Saskatchewan, about 55% of young offenders go on to commit further crimes as adults (i.e., are admitted into Saskatchewan correctional programs after reaching 18 years of age).

Research has shown that, on average, a young offender's criminal activities peak in late adolescence and decline in early adulthood. However, there are a small percentage of young offenders who will continue to offend well into their adult life.[10] If young offenders do not receive the right rehabilitation services at the right time, they are more likely to continue to offend into their adult lives and become burdens on society.

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[5] Casavant, et. al. (2008). *Youth Justice Legislation in Canada.* Library of Parliament.
[6] Brennan, Shannon. (2012). *Youth court statistics in Canada, 2010/2011.* Statistics Canada & Department of Justice Canada. www.statcan.gc.ca/pub/85-002-x/2012001/article/11645-eng.htm#r2 (18 April 2013).
[7] Ministry of Justice, Fact Sheet, *Police-Reported Crime statistics in Canada*, July 2012, p. 3.
[8] Saskatchewan Young Offender Case Administration and Management System. Data for 2012-13 was not yet available.
[9] Saskatchewan Young Offender Case Administration and Management System.
[10] Australian Institute of Criminology. (2011). *What makes juvenile offenders different from adult offenders?*

4.0 PROPOSED AUDIT OBJECTIVE, SCOPE, AND CRITERIA

The objective of this audit was to assess whether the Ministry of Justice had effective processes for the 12 months ending February 28, 2013 to rehabilitate young offenders in the South Region.[11]

To conduct this audit, we had planned to follow the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate the Ministry's processes, we developed criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. The Ministry verbally agreed with the criteria in **Figure 1**.

Figure 1—Audit Criteria

To have effective processes to rehabilitate young offenders in the South Region, the Ministry should:

1. **Identify evidence-based rehabilitation practices**
    1.1 Assess external research to identify and select evidence-based practices
    1.2 Partner with external experts to validate selected practices
    1.3 Evaluate rehabilitation practices used in Saskatchewan
2. **Use rehabilitation practices relevant to young offender needs**
    2.1 Assess young offenders' rehabilitation needs consistently
    2.2 Use case management processes
    2.3 Allocate resources to priority rehabilitation practices
    2.4 Train Staff to use relevant practices
    2.5 Partner with other agencies to deliver rehabilitation programs
3. **Assess rehabilitation progams**
    3.1 Monitor timely access to programs
    3.2 Assess program utilization and effectiveness
    3.3 Revise program delivery based on young offenders' needs

5.0 DENIED ACCESS TO YOUNG OFFENDER CASE MANAGEMENT FILES

We advised the Ministry about our planned audit in the fall of 2012. We worked with the Ministry to develop detailed plans to conduct the audit during the following months. Our planned procedures included interviews with employees involved in the rehabilitation of young offenders, and a review of supporting documentation including young offender case management files.

The Youth Criminal Justice Act (Act) is very explicit regarding who can obtain access to young offender files. The Act provides two options that would have provided our Office with access to these files: an Order in Council, or an order by a youth court. The Ministry used Order in Council 271/2008 dated April 10, 2008 to obtain access for various classes of persons that required access to carry out work related to young offenders (e.g., court workers, victims services workers including volunteers, employees of the Ministry conducting research and evaluation, training, data management, etc.) We worked with the Ministry when it offered to include access for our Office as part of an update it planned to make to Order in Council 271/2008 for Cabinet approval.

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[11] The South Region includes the Paul Dojack Youth Centre and youth service centres in Regina, Moose Jaw, Swift Current, Weyburn, and Estevan. Per the Ministry's data, the South Region has an average daily count of over 500 young offenders in the community and over 50 young offenders in custody.

The Ministry submitted the Order in Council with our Office included to Cabinet as was agreed. However, when Order in Council 148/2013 was approved on March 12, 2013 to replace Order in Council 271/2008 by Cabinet, Cabinet did not include our Office (i.e., we were not given access to young offender files) in the final Order in Council. Other classes of persons were updated in the approved Order in Council, including those working for the Ministry conducting research and evaluation, responsible for the administration of *The Freedom of Information and Protection of Privacy Act* (Saskatchewan) or the security intelligence program, as well as Criminal Intelligence Service Saskatchewan partners.

Because Cabinet did not give us access to the young offender files required to conduct our audit, we were unable to conduct our audit for this report as planned. We determined it would not be a good use of public resources to incur the additional costs required to seek a court order to access the young offender files when Cabinet has the ability to grant us the necessary access at no additional cost. Therefore, we are unable to report whether the Ministry of Justice has effective processes to rehabilitate young offenders.

Chapter 19
Securing SaskEnergy's SCADA System

1.0 MAIN POINTS

The people and economy of Saskatchewan require safe, uninterrupted, and effective distribution of natural gas. Natural gas is used to heat buildings, power appliances, and is used by many Saskatchewan industries.

SaskEnergy delivers natural gas to 358,000 customers throughout Saskatchewan. Natural gas is transported to customers using a pipeline distribution system that covers 92% of Saskatchewan communities. SaskEnergy relies on both physical and information technology assets to distribute natural gas. Physical assets include compressor stations and pipelines. Information technology assets like supervisory control and data acquisition (SCADA) systems are used to monitor and control the physical transportation of natural gas through pipelines.

This chapter describes our audit of SaskEnergy's SCADA system. The objective of our work was to assess whether SaskEnergy had effective processes to secure its SCADA system. For the period of September 1, 2012 to February 28, 2013, our audit found that SaskEnergy did not have effective processes to secure its SCADA system. SaskEnergy needs to improve its processes in the following areas:

- Prepare a complete threat and risk assessment for its SCADA system
- Implement complete policies and procedures to protect the confidentiality, integrity, and availability of its SCADA system
- Properly configure its SCADA system to protect against security threats
- Protect its facilities from unauthorized access
- Protect its SCADA system from unauthorized access
- Monitor SCADA system security
- Test its SCADA system continuity plan

We make seven recommendations in this chapter to help SaskEnergy protect the confidentiality, integrity, and availability of its SCADA system, and associated data.

Although we have made process recommendations, we recognize that SaskEnergy has been able to provide safe and reliable operations for many years and has not experienced a major outage resulting from its SCADA system.

2.0 INTRODUCTION

SaskEnergy Incorporated (SaskEnergy) is a provincial Crown corporation created under *The SaskEnergy Act*. SaskEnergy owns and operates a natural gas utility which has the exclusive legislated franchise to distribute natural gas within Saskatchewan.

SaskEnergy delivers natural gas to more than 358,000 residential, farm, commercial, and industrial customers throughout Saskatchewan. Natural gas is transported to customers through an 83,000-kilometer pipeline system that covers 92% of Saskatchewan communities. Natural gas heats homes, hotels, hospitals, schools, and recreational centres throughout the province. It powers appliances (e.g., water heaters, fireplaces, barbeques) used by the people of Saskatchewan every day, and is also used by many Saskatchewan industries such as steel, pulp and paper, potash, petrochemical, electrical generation, and fertilizer production.

3.0 CRITICAL INFRASTRUCTURE PROTECTION

Critical infrastructure means physical and information technology assets that are essential for the functioning of society and the economy. Critical infrastructure is used for electricity generation, gas and oil distribution, telecommunications, water supply, and transportation systems. Physical assets that are part of critical infrastructure include facilities and equipment needed to provide essential services. Information technology assets that are part of critical infrastructure include industrial control systems like SCADA systems that are used to monitor and control critical infrastructure facilities. SaskEnergy uses a SCADA system to monitor and control the physical transportation of natural gas through pipelines.

Critical infrastructure needs to be available at all times. Continuous availability requires strong security processes to protect against risks associated with unintentional actions by staff or actions with malicious intent. In fall 2012, the Office of the Auditor General of Canada reported on the importance of protecting Canadian critical infrastructure, including infrastructure managed by provinces, against cyberattacks.[1] The report highlights that cyberattacks on critical infrastructure of many nations, including Canada, have been reported. The report also indicates that the frequency and severity of cyber threats are increasing.

The people of Saskatchewan rely on the availability of critical infrastructure every day. Various utility providers use critical infrastructure to provide their services to the residents of Saskatchewan. For example, SaskPower provides electricity generation and transmission, SaskWater monitors water provision to communities, Water Security Agency of Saskatchewan monitors water levels and controls flows from dams, and SaskEnergy distributes natural gas to consumers.

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[1] Cyberattacks include the unintentional or unauthorized access, use, manipulation or destruction (via electronic means) of electronic information and/or the electronic and physical infrastructure used to process, communicate and/or store that information. www.publicsafety.gc.ca/prg/ns/cybr-scrty/_fl/ccss-scc-eng.pdf (11 April 2013).

4.0 IMPORTANCE OF PROTECTING SASKENERGY'S CRITICAL INFRASTRUCTURE

The Saskatchewan people and the economy require safe, uninterrupted, and effective distribution of natural gas.

SaskEnergy has maintained a reliable system of distribution of natural gas for the past 25 years. While some localized outages have occurred, the province has never been without natural gas for an extended period of time.

A worst-case failure would likely require multiple and concurrent adverse events. The consequences of a worst-case failure could have a major impact on the province. If natural gas distribution failed in the middle of the winter, homes, government buildings (e.g., hospitals, schools), and businesses would be without heat. It is not clear whether the electric grid would be capable of supporting the increased power demand that would result if gas distribution failed or for how long. Without power or heat, everything from telecommunications service to water delivery could be at risk.

5.0 SASKENERGY'S CRITICAL INFRASTRUCTURE

SaskEnergy has 26 natural gas facilities (e.g., compressor stations) within the province. A compressor station works by pressurizing natural gas transported in transmission pipelines. The pressure pushes the natural gas through the pipeline to end consumers. Without sufficient pressure, natural gas would not flow to consumers. Excess pressure could create unsafe conditions at a compressor station or in a pipeline.

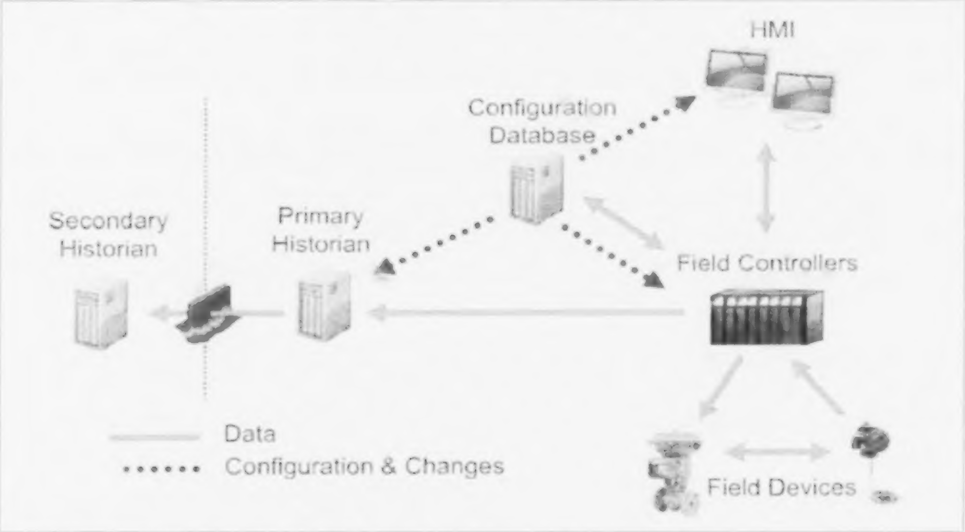
SaskEnergy monitors its compressor stations, pipelines, and all related equipment using data collected by its SCADA system. Field devices continuously read data from compressor stations, pipelines, and related equipment. For example, the data may include the natural gas flow rate through the pipeline, pipeline pressure, and temperature readings. The information obtained by field devices is conveyed in real time via a telecommunications system (i.e., SaskTel) to a central computer system. The central computer system includes a console that is monitored by operators. The console is referenced as HMI in **Figure 1** below. Monitoring enables operators to take timely actions for equipment malfunctions, leaks, or other unusual activity. SaskEnergy's SCADA system allows operators to remotely operate equipment by sending requests back to field devices. Operators are to monitor data at all times.

Field devices are programmed to perform specific functions at specified intervals. The security of the field devices is important. Inappropriate or unauthorized changes could halt or alter the information sent to operators or alter how critical equipment functions.

All data received by the SCADA system is stored in computers known as historians. The historian allows for trending and other analytical auditing.

Figure 1 shows the flow of data and changes in a typical SCADA system.

Figure 1—Flow of Data and Changes in a Typical SCADA System



Source: Intermediate Cybersecurity for Industrial Control Systems, Homeland Security, p.12

6.0 INTERDEPENDENCY OF SASKATCHEWAN'S MAJOR UTILITY PROVIDERS

There are critical relationships among the province's utility providers (i.e., SaskTel, SaskPower, and SaskEnergy). These providers are interdependent, such that a failure to provide services by one of the providers could lead to the failure of services provided by the others.

SaskPower is a key user of natural gas delivered by SaskEnergy. SaskPower operates six natural gas power plants that supply about 32% of the province's electricity.[2] The sudden loss of a source of power generation can have a significant impact on the reliability of interconnected electric systems. For example, if SaskEnergy experienced a significant disruption affecting natural gas flow to SaskPower, SaskPower could experience a reduction in power supply to its customers.

SaskEnergy relies on communication lines provided by SaskTel to receive and send data from/to natural gas facilities. SaskTel relies on SaskPower to provide electrical services.

In addition, SaskWater shares certain SCADA system infrastructure with SaskEnergy. SaskWater uses a SCADA system to monitor the quality of water provided to its customers. Therefore, a failure of SaskEnergy's SCADA system could lead to a failure of SaskWater's SCADA system.

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[2] www.saskpower.com/our-power-future/power-education (13 April 2013).

7.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether SaskEnergy had effective processes to secure its supervisory control and data acquisition (SCADA) system used to control and monitor distribution of natural gas for the period of September 1, 2012 to February 28, 2013. Security includes the processes needed to protect the availability, integrity, and confidentiality of SaskEnergy's SCADA system and associated data.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate the effectiveness of SaskEnergy's processes to secure its SCADA system, we examined SaskEnergy's manuals, reports, and policies and procedures. We reviewed its internal auditor's reports on SCADA system security and supporting working papers. We also visited selected sites to examine SCADA system computers and field devices.

The audit criteria are based on our related work, reviews of literature including reports of other auditors, and consultations with management. **Section 10.0** includes key sources for these criteria. SaskEnergy's management agreed with the criteria in **Figure 2**.

Figure 2—Audit Criteria

To have effective processes to secure its supervisory control and data acquisition (SCADA) system, SaskEnergy should:

1. **Maintain a security framework for SCADA system**
   - 1.1 Clearly define responsibilities for managing and securing the system
   - 1.2 Approved security policies and procedures exist and are followed
   - 1.3 Monitor and address security risks
2. **Protect SCADA system from unauthorized access**
   - 2.1 Configurations protect the system from unauthorized access
   - 2.2 User access controls protect the system from unauthorized access
   - 2.3 Physical security controls protect the system from unauthorized access
3. **Make SCADA system available for operation**
   - 3.1 System and data backups occur and are tested
   - 3.2 Disaster recovery plans are in place and tested
4. **Maintain SCADA system integrity**
   - 4.1 Monitor the system to determine if operating as planned
   - 4.2 Change management processes exist and are followed

We concluded that SaskEnergy did not have effective processes to secure its supervisory control and data acquisition (SCADA) system used to control and monitor distribution of natural gas for the period of September 1, 2012 to February 28, 2013. SaskEnergy needs to improve its processes in the following areas:

- **Prepare a complete threat and risk assessment for its SCADA system**
- **Implement complete policies and procedures to protect the confidentiality, integrity, and availability of its SCADA system**
- **Properly configure its SCADA system to protect against security threats**
- **Protect its facilities from unauthorized access**
- **Protect its SCADA system from unauthorized access**

- **Monitor SCADA system security**
- **Test its SCADA system continuity plan**

Although we have made process recommendations, we recognize that SaskEnergy has been able to provide safe and reliable operations for many years and has not experienced a major outage resulting from its SCADA system.

8.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out our key findings and recommendations related to the audit criteria in **Figure 2**.

8.1 Need to Improve Security Framework

SaskEnergy is responsible for the operations of all critical SaskEnergy infrastructure including the SCADA system, overseeing natural gas distribution, and managing compressor stations. SaskEnergy has qualified employees assigned to monitor its SCADA system. Hiring policies include a review of credentials, reference checks, and criminal record checks.

SaskEnergy has identified key organizational risks. However, it has not completed a formal assessment of the threats and risks related to its SCADA system. Threat and risk assessment processes would allow SaskEnergy to assess, identify, and mitigate the overall level of risk to which they are exposed. Threat and risk assessment processes can assist SaskEnergy in prioritizing and allocating resources. The threat and risk assessment should be completed and senior management and the Board should review and approve the assessment. Exposure to unidentified or unmitigated risks could lead to a failure to meet business objectives including the loss of availability of the SCADA system and related critical infrastructure.

1. **We recommend that SaskEnergy Incorporated complete a threat and risk assessment of its supervisory control and data acquisition system.**

SaskEnergy has some corporate information technology policies and procedures. While many of its corporate policies apply to information technology systems in general, high security and availability requirements result in specific needs for SCADA systems. SaskEnergy does not have complete policies and procedures for its SCADA system. For example, SaskEnergy has policies and procedures for user access and antivirus updates but does not have complete and approved policies and procedures for monitoring and making changes to security equipment (e.g., firewalls), physically securing field devices and computer equipment at compressor stations, and managing incidents. Further policies may be needed once a threat and risk assessment is complete. Without complete policies and procedures, SaskEnergy's SCADA system is at risk of unauthorized alteration or loss of availability.

2. We recommend that SaskEnergy Incorporated implement complete policies to protect the confidentiality, integrity, and availability of its supervisory control and data acquisition system based on a threat and risk assessment.

Periodically, the Board and senior management have received reports about the security of the SCADA system. For example, SaskEnergy's internal auditor reported its audit findings on SCADA system security to the Board and management in 2010 and 2012. Management also advised the Board about a security incident that impacted SaskEnergy's SCADA system in 2011. The Board periodically monitors management's progress towards addressing the internal auditor's findings on SCADA system security.

As described above, SaskEnergy has not prepared a threat and risk assessment or implemented effective policies and procedures to protect its SCADA system. As a result, the Board did not receive complete risk assessment results or periodic reports on compliance with SCADA system policies and procedures.

8.2 Need to Protect SCADA System From Unauthorized Access

SaskEnergy did not securely configure its SCADA system. The SCADA system should be protected from other networks including SaskEnergy's corporate network.

The SCADA system should also have effective controls to detect unauthorized changes or other potentially malicious activity. Network security equipment should log security alerts, errors, and warning messages. SaskEnergy needs to improve its processes to monitor security logs.

Effective security configuration and timely review of security logs can prevent and detect potential cyberattacks before a breach occurs.

3. We recommend that SaskEnergy Incorporated configure its supervisory control and data acquisition system network to protect it from security threats.

4. We recommend that SaskEnergy Incorporated monitor the security of its supervisory control and data acquisition system.

Management is working to implement stronger security controls to protect the SCADA system network, computers, and related equipment.

SaskEnergy has policies and procedures for granting and removing user access to its SCADA system. SaskEnergy uses a standard form to document user access approvals.

Existing staff who no longer require SCADA system access and past employees were removed on a timely basis. Management also reviews user access lists for the SCADA system on a periodic basis.

The primary SCADA system, including physical access to the HMI and other SCADA system components, is appropriately physically secured. Staff are physically present 24 hours a day. Key card access is required.

SaskEnergy needs to improve its policies and procedures for controlling physical access to some of its facilities. The facilities are surrounded by wire fences that are locked at night. However, we found SaskEnergy needs to better protect SCADA computer equipment in use at its facilities.

5. **We recommend that SaskEnergy Incorporated effectively restrict physical access to its facilities.**

6. **We recommend that SaskEnergy Incorporated effectively restrict access to its supervisory control and data acquisition system.**

8.3 Business Continuity Plan Not Tested

SaskEnergy has policies and processes for SCADA system backups. Backup data was sent to a contingency site on a daily basis. The contingency site includes a fully operational SCADA system with up-to-date data. During the audit period, SaskEnergy successfully tested the processes to make its contingency site available for use.

SaskEnergy prepared a business continuity plan for the business unit that manages its SCADA system. The business continuity plan sets out some scenario assumptions such as the loss of its SCADA system. The plan also sets out general strategies and steps needed for assessing situations and taking action. SaskEnergy's current business continuity plan was prepared in September 2012 and has not yet been tested.

Testing a business continuity plan that allows for various interruption scenarios that would allow SaskEnergy to determine if its business continuity plan can effectively address varying risks. In addition, given the interdependencies between provincial utility providers, SaskEnergy may want to consider planning and testing for scenarios that involve interruption of services from other utility providers.

SaskEnergy should consider interdependency risks as part of the threat and risk assessment we described earlier in this chapter. SaskEnergy may need to update its business continuity processes based on the results of a threat and risk assessment.

7. **We recommend that SaskEnergy Incorporated test its business continuity plan for its supervisory control and data acquisition system to verify its effectiveness.**

8.4 Processes to Maintain System Integrity Needed

SaskEnergy uses operators to monitor whether the SCADA system is operating as planned. Operators monitor the SCADA system at all times. Operator actions (e.g., open/close a pipeline valve) are monitored. SaskEnergy reviews actions taken by junior operators.

SaskEnergy does not have complete incident management policies and procedures for its SCADA system. Procedures help guide employee responses to reduce risk to the organization and ensure that proper communications or protocols are followed in emergencies. Procedures also help to ensure proper documentation and debriefing following an incident to help the organization improve and reduce future risk from similar incidents. We report the need for SaskEnergy to implement complete policies and procedures for its SCADA system earlier in **Section 8.1**.

SaskEnergy's SCADA system needs to be updated for known security risks on a timely basis. Effective August 2, 2012, SaskEnergy contracted with its SCADA system vendor to provide change management services for all SCADA system computers. The vendor is required to update all SCADA system computers every six months, plus one ad hoc update per year at SaskEnergy's request. SaskEnergy's threat and risk assessment should consider whether the update frequency is sufficient to effectively protect its SCADA system computers.

At March 31, 2013, the SCADA system computers managed by the vendor were up to date. However, the vendor is not responsible for updating other equipment (e.g., firewalls) required to operate the SCADA system network. SaskEnergy does not have policies and procedures for updating equipment that is not managed by its vendor. We include this weakness as part of the policy and procedure weakness reported in **Section 8.1** and the security configuration weakness reported in **Section 8.2**.

9.0 GLOSSARY

Backup—A copy of systems or data to be used when the originals are not available (e.g., because of loss or damage).

Business Continuity Plan—A plan for an organization to carry on providing key programs and services after a serious disruption or emergency. The part of a business continuity plan that relates to restoring IT systems and data is often called a disaster recovery plan.

Change management—An organized approach for introducing changes into a program or process, used to minimize unintended consequences.

Configure—To set up or arrange in order to achieve a specific purpose (e.g., maximize security).

Disaster recovery plan—A plan for an organization to restore necessary IT services in the event of an emergency or disaster. A disaster recovery plan is one part of a larger, organization-wide business continuity plan.

Encryption—A method of putting information in code so that only authorized users will be able to see or use the information.

Firewall—Software and/or hardware intended to restrict or block access to a network or computer. Firewalls can be set up to only allow certain types of data through.

Intrusion detection system—Software and/or hardware intended to detect malicious activity or policy violations on a network or computer.

Network—A group of computers that communicate with each other.

Physical access controls—The controls in place at an organization that restrict unauthorized people from gaining physical access to computers or network equipment. Examples include locked doors and cabinets, and video surveillance systems.

Server—A computer that hosts systems or data for use by other computers on a network.

User access controls—The controls in place at an organization to restrict use of systems or data to those who have been authorized. These include physical controls such as locked doors or cabinets, as well as computer and network controls such as establishing accounts with specific access rights, requiring passwords, etc.

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Chapter 20

Use of Surgical Facilities at Regina Qu'Appelle Regional Health Authority

1.0 MAIN POINTS

Regina Qu'Appelle Regional Health Authority (Regina Qu'Appelle) is responsible for the planning, organization, delivery, and evaluation of health services within its health region. As part of its mandate, Regina Qu'Appelle provides surgical procedures to residents of Regina Qu'Appelle and residents of other southern health regions.

The effective and efficient use of surgical facilities is vital for providing timely surgical services to patients and to help reduce wait times. Utilization of surgical facilities depends on the availability of surgeons, healthcare staff, anaesthesiologists, specialized surgical equipment, and inpatient beds.

Determining the capacity available (e.g., optimal hours of the use of existing facilities), planning for the efficient use of that capacity within available resources (e.g., the suitability of the facility for specific surgical procedures, equipment, and staffing availability), and appropriate scheduling (e.g., balancing patient needs with length of wait times), are crucial to effectively utilize resources and address longer-than-targeted wait times. Regina Qu'Appelle could not tell us how much of its current capacity is used to provide surgical services.

Monitoring and analyzing the actual usage compared to the planned usage of surgical facilities can help Regina Qu'Appelle identify and address reasons that may inhibit the efficient use of existing surgical facilities and identify where and when more resources are needed. Regina Qu'Appelle does not consistently and routinely collect this information.

This audit examined the effectiveness of Regina Qu'Appelle's processes for the efficient use of its surgical facilities from March 1, 2012 to February 28, 2013. Regina Qu'Appelle did not have effective processes to support the efficient use of its surgical facilities; therefore, its ability to provide surgical care in a timely manner could be compromised. This may result in a loss of public confidence in the healthcare system and the uneconomical use of public money.

Regina Qu'Appelle needs to:

- Have complete, approved standards, policies, and guidance to improve consistency of the scheduling surgical procedures and the use of surgical facilities
- Develop consistent processes for the composition, review, and approval of surgery schedules to improve the efficient scheduling of surgical procedures
- Collect and analyze information on the use of surgical facilities to determine factors that inhibit and impact the efficient use of surgical facilities
- Determine needed actions and implement those actions to improve the efficient use of surgical facilities

- Monitor progress for efficient scheduling of surgical procedures and report to the Board
- Establish and use performance measures and targets designed specifically for assessing the efficient use of surgical facilities

In this chapter, we make nine recommendations to Regina Qu'Appelle. On May 7, 2013, management indicated that Regina Qu'Appelle has begun to address these recommendations.

We encourage other regional health authorities to look to the audit criteria and recommendations described in this chapter to assess their own processes for providing surgical services in their regions.

2.0 INTRODUCTION

Under *The Regional Health Services Act*, regional health authorities (RHAs) are responsible for the planning, organization, delivery, and evaluation of health services within their respective health regions. As part of this mandate, RHAs are responsible for the provision of surgical services within their health regions.

The provision of surgical services is an important part of the provincial healthcare system. In 2010, the Ministry of Health (Ministry) released a framework for surgical care entitled *Sooner, Safer, Smarter: A Plan to Transform the Surgical Patient Experience*. To implement this framework, the Ministry created the Saskatchewan Surgical Initiative and developed targets to offer surgical procedures to all patients within six months of patient assessment[1] by 2013, and to all patients within three months of patient assessment by 2014.[2]

This audit examined the effectiveness of Regina Qu'Appelle Regional Health Authority's (Regina Qu'Appelle) processes to support the efficient use of its surgical facilities. Surgical facilities refers to those facilities – both operating rooms and procedure rooms – that are subject to scheduling by Regina Qu'Appelle. This includes operating rooms and procedure rooms in Regina Qu'Appelle's hospitals, as well as those in privately-operated third-party facilities. Effective management of surgical facilities has a significant role in reducing wait times.

When Regina Qu'Appelle does not have effective processes to support the efficient use of its surgical facilities, its ability to provide timely surgical care could be compromised, which could contribute to a delay in patients receiving surgical procedures and result in a loss of public confidence in the provincial healthcare system.

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[1] Saskatchewan Surgical Initiative website; www.sasksurgery.ca, (10 April 2013) - Patient assessment - standardized, two-step process of assessing and classifying patients' need for surgery.

[2] Saskatchewan Surgical Initiative website; www.sasksurgery.ca, (10 April 2013).

3.0 BACKGROUND

Regina Qu'Appelle is one of the province's largest RHAs, serving a population of over 260,000.[3] It also acts as a hub for surgical and specialist services, and patients from other RHAs in southern Saskatchewan are often referred to Regina Qu'Appelle for services that are unavailable in those regions. In its role as a provider of services for residents in southern Saskatchewan, Regina Qu'Appelle provides a large number of surgeries.

Regina Qu'Appelle is involved in the provincial Government's efforts to improve surgical care through reductions in wait lists and a better patient experience. Regina Qu'Appelle has recognized this responsibility in its *Revised 2012 Surgical Initiative Plan*.[4] Because Regina Qu'Appelle provides surgical services to residents of other health regions, its ability to manage its surgical facilities affects the provincial healthcare system.

3.1 Surgical Funding, Targets and Performance

In 2012-13, the Ministry dedicated an extra $60.5 million[5] over RHAs' regular funding to the Saskatchewan Surgical Initiative in order to meet its targets. Regina Qu'Appelle received $10.7 million[6] of this funding. It expects to spend $9.5 million in 2012-13 (see **Figure 1**).

Figure 1—Breakdown of Number of Surgeries and Funding at Regina Qu'Appelle in 2012-13

		Revised Target Number of Surgeries to Perform	Actual Number of Surgeries Performed and Projected*	Funding Provided (Estimated Based on Projection)
Ministry of Health Regular Funding				
	Day Surgery	11,465	11,465	$17,369,475
	Inpatient Surgery	10,285	10,285	$109,854,085
Saskatchewan Surgical Initiative Funding				
Volume funding	Day Surgery	1,214	1,296	$1,963,440
	Inpatient Surgery	736	539	$5,757,059
Capital funding				$1,733,300
Total		**23,700**	**23,585**	**$135,397,990**

* Based on actual number of surgeries performed to February 28, 2013 and projected volumes to be performed in March, 2013 (see **Section 3.5**)
Source: Documentation provided by Regina Qu'Appelle Regional Health Authority

In March 2012, Regina Qu'Appelle's original target was for the provision of 24,200 surgical procedures in 2012-13.[7] In June 2012, Regina Qu'Appelle determined it would need to perform 27,000 surgical procedures to meet the provincial target of completing over 90% of surgeries within six months in 2012-13.[8] In October 2012, Regina

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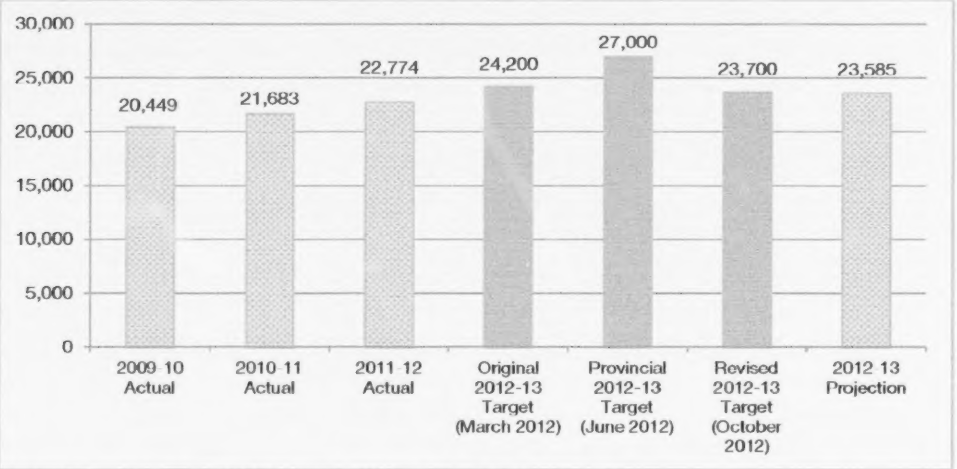
[3] Regina Qu'Appelle Regional Health Authority. *2011-12 Annual Report*, p. 16.
[4] Regina Qu'Appelle Health Region. *RQHR Revised 2012 Surgical Initiative Plan*. (May 2012).
[5] Saskatchewan Ministry of Health; *Backgrounder, Saskatchewan Surgical Initiative Funding 2012-13.*
[6] Ibid.
[7] Regina Qu'Appelle Regional health Authority; *2012-13 Accountability Document*, p. 14.
[8] Regina Qu'Appelle Regional Health Authority. *Revised 2012 Surgical Initiative Plan.*

Qu'Appelle worked with the Ministry to set a revised target of 23,700 procedures for the year when it determined that it could not achieve the target of 27,000 surgical procedures. Management advised us that the 27,000 target was unattainable with the available resources. **Figure 2** shows the original and revised 2012-13 targets and the actual procedures projected for the year as well as procedures performed in the previous three fiscal years.

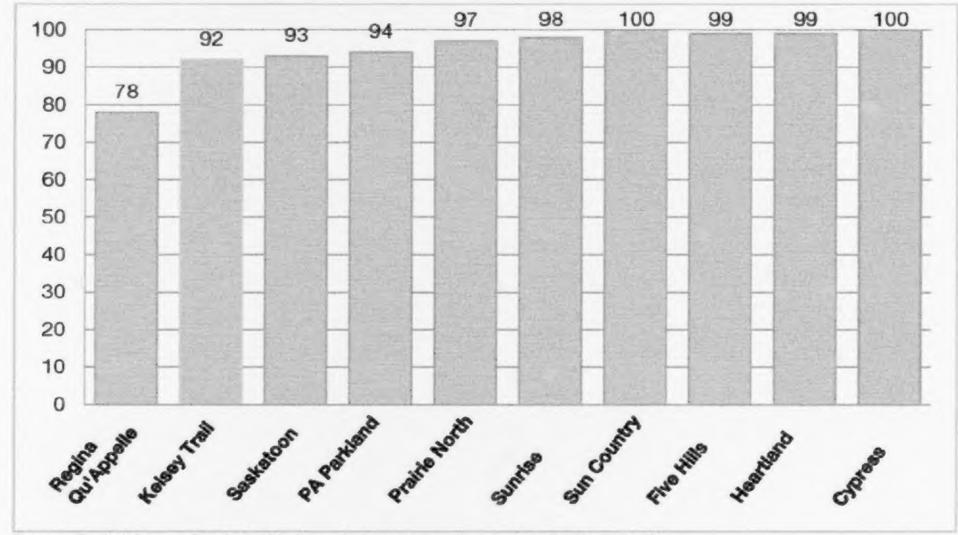
Figure 2—Regina Qu'Appelle Number of Surgical Procedures: Actual, Targets, and Projection



Source: Documentation provided by Regina Qu'Appelle Regional Health Authority

At February 28, 2013, Regina Qu'Appelle was significantly below the provincial six-month surgery target for 2012-13. Regina Qu'Appelle would have needed to complete 27,000 surgical procedures in order to achieve this target. **Figure 3** shows that 78% of patients requiring surgery in Regina Qu'Appelle facilities received their surgery within six months. All other regions provided surgeries within six months more than 90% of the time.

Figure 3—Percentage of All Surgical Procedures Performed within Six Months by Regional Health Authority[9] at February 28, 2013



Source: Saskatchewan Surgical Initiative website; www.sasksurgery.ca (22 April 2013)

3.2 Surgical Facilities

Regina Qu'Appelle has available 19 surgical facilities[10] in its two hospitals, and seven surgical facilities[11] in two privately-operated clinics (external facilities) to provide surgical care to patients. External facilities are used for providing day surgeries only.[12] All are located in the city of Regina. Facilities are also used to provide surgical services paid for by others (e.g., Workers' Compensation Board, Saskatchewan Government Insurance, uninsured services).

These surgical facilities typically run eight hours per day, five days per week. Regina Qu'Appelle has granted surgical privileges to 85 physicians in the region.[13]

Regina Qu'Appelle is responsible for scheduling all insured[14] surgical procedures in all surgical facilities. It also schedules surgical procedures paid for by others in its own surgical facilities. If surgical procedures paid for by others can be provided in an external facility, individual physicians usually arrange the scheduling directly with the external facility.

3.3 Overview of Surgical Procedure Delivery System

To effectively deliver surgical services, Regina Qu'Appelle is responsible for scheduling surgeries in appropriate facilities and allocating surgical facility time to specific surgeons who have been granted privileges in its hospitals. It is also responsible for coordinating the scheduling of other staff such as nurses and anaesthesiologists, and ensuring that the necessary medical equipment and instruments are available for scheduled surgeries. Scheduling the use of surgical facilities is a vital component of the effective and efficient use of those facilities.

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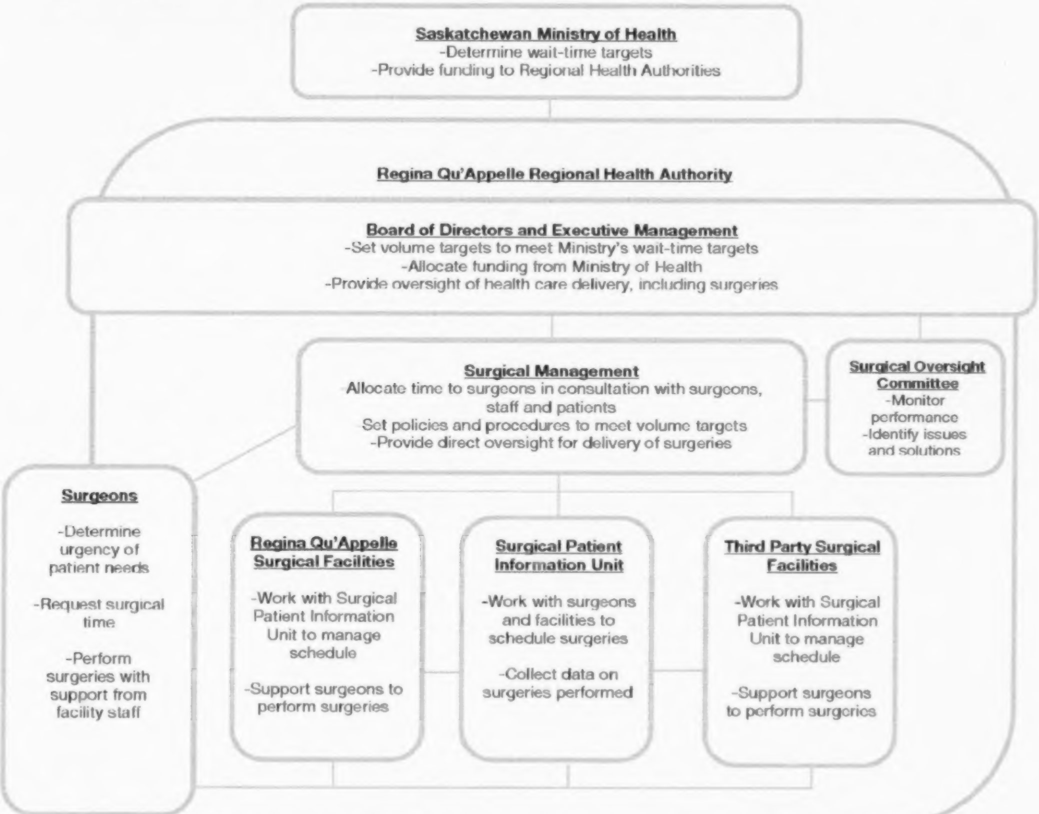
[9] Mamawetan Churchill River and Keewatin Yatthé Regional Health Authorities do not routinely provide surgeries. Patients from those two regional health authorities requiring surgery are transported to other health regions for the service.
[10] Regina Qu'Appelle Regional Health Authority Surgical Allocation.
[11] Ibid.
[12] Day Surgery – a patient is discharged the same day as the surgical procedure is performed.
[13] Saskatchewan Surgical Initiative website www.sasksurgery.ca/specialist-information.htm. (11 April 2013).
[14] Insured services – medical services covered under *The Saskatchewan Medical Care Insurance Act*.

Figure 4 shows how the surgical delivery system generally works. The system for delivering surgical procedures begins with the setting of provincial surgical targets and the provision of funding to deliver those surgical services by the Ministry of Health. Regina Qu'Appelle allocates resources to meet those targets. This requires planning and coordination by Regina Qu'Appelle management, healthcare staff, third party external facilities, and physicians. Regina Qu'Appelle has assigned the planning and coordination for the provision of surgical services to senior management (as described in **Figure 5**). Senior management is responsible for ensuring the plan is executed effectively and efficiently.

Figure 4—System to Plan, Schedule, and Deliver Surgical Procedures


Saskatchewan Ministry of Health
-Determine wait-time targets
-Provide funding to Regional Health Authorities
Regina Qu'Appelle Regional Health Authority
Board of Directors and Executive Management
-Set volume targets to meet Ministry's wait-time targets
-Allocate funding from Ministry of Health
-Provide oversight of health care delivery, including surgeries
Surgical Management
-Allocate time to surgeons in consultation with surgeons, staff and patients
-Set policies and procedures to meet volume targets
-Provide direct oversight for delivery of surgeries
Surgical Oversight Committee
-Monitor performance
-Identify issues and solutions
Surgeons
-Determine urgency of patient needs
-Request surgical time
-Perform surgeries with support from facility staff
Regina Qu'Appelle Surgical Facilities
-Work with Surgical Patient Information Unit to manage schedule
-Support surgeons to perform surgeries
Surgical Patient Information Unit
-Work with surgeons and facilities to schedule surgeries
-Collect data on surgeries performed
Third Party Surgical Facilities
-Work with Surgical Patient Information Unit to manage schedule
-Support surgeons to perform surgeries

Source: Provincial Auditor of Saskatchewan, April, 2013 (compiled from information provided by the Ministry of Health and Regina Qu'Appelle Regional Health Authority)

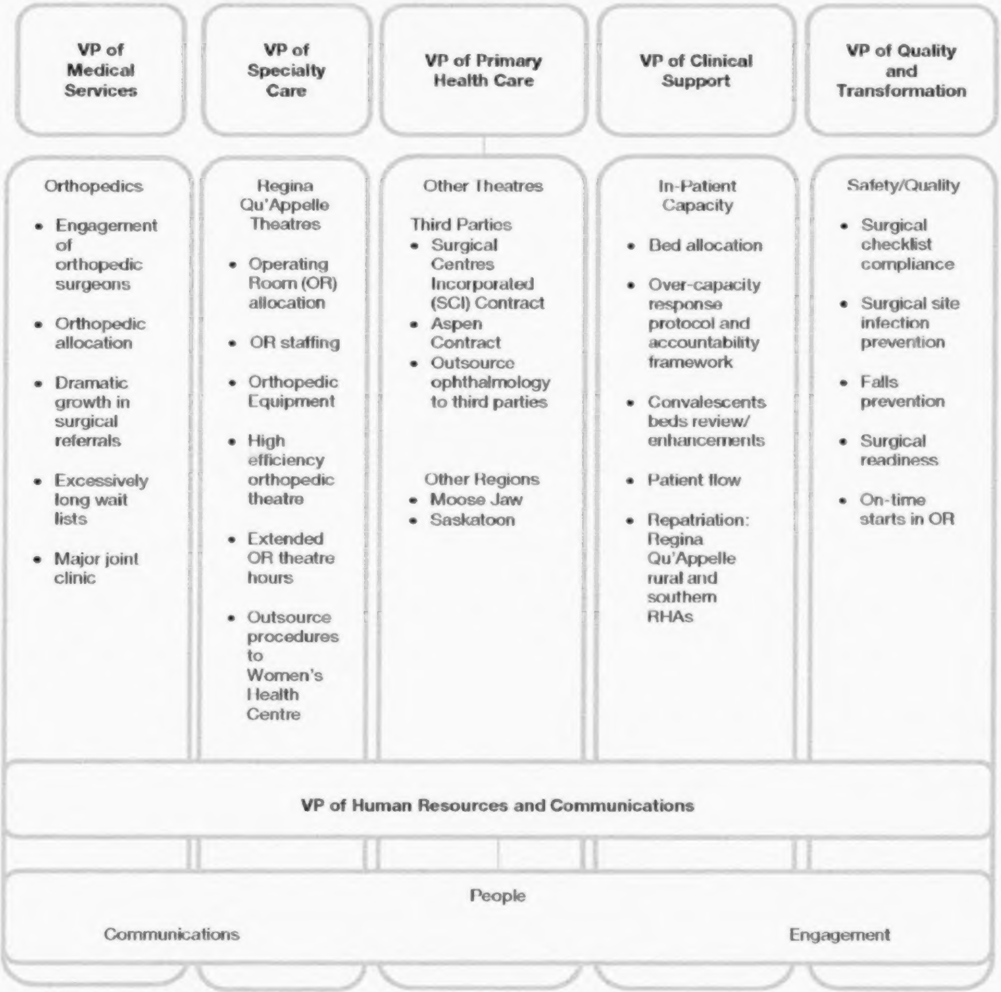
3.4 Surgical Management Oversight for the Delivery of Surgeries

Oversight for the delivery of surgeries is provided by Regina Qu'Appelle's executive management team, with specific responsibilities set out in its Surgical Accountability Framework shown in **Figure 5.**

The executive management team is led by the President and Chief Executive Officer of Regina Qu'Appelle.

Regina Qu'Appelle's executive management team experienced significant change during the last six months of our audit period (e.g., President and Chief Executive Officer, Chief Financial Officer, Vice President, Specialty Care).

Figure 5—Regina Qu'Appelle Surgical Accountability Framework



VP of Medical Services

Orthopedics
- Engagement of orthopedic surgeons
- Orthopedic allocation
- Dramatic growth in surgical referrals
- Excessively long wait lists
- Major joint clinic

VP of Specialty Care

Regina Qu'Appelle Theatres
- Operating Room (OR) allocation
- OR staffing
- Orthopedic Equipment
- High efficiency orthopedic theatre
- Extended OR theatre hours
- Outsource procedures to Women's Health Centre

VP of Primary Health Care

Other Theatres

Third Parties
- Surgical Centres Incorporated (SCI) Contract
- Aspen Contract
- Outsource ophthalmology to third parties

Other Regions
- Moose Jaw
- Saskatoon

VP of Clinical Support

In-Patient Capacity
- Bed allocation
- Over-capacity response protocol and accountability framework
- Convalescents beds review/ enhancements
- Patient flow
- Repatriation: Regina Qu'Appelle rural and southern RHAs

VP of Quality and Transformation

Safety/Quality
- Surgical checklist compliance
- Surgical site infection prevention
- Falls prevention
- Surgical readiness
- On-time starts in OR

VP of Human Resources and Communications

People

Communications

Engagement

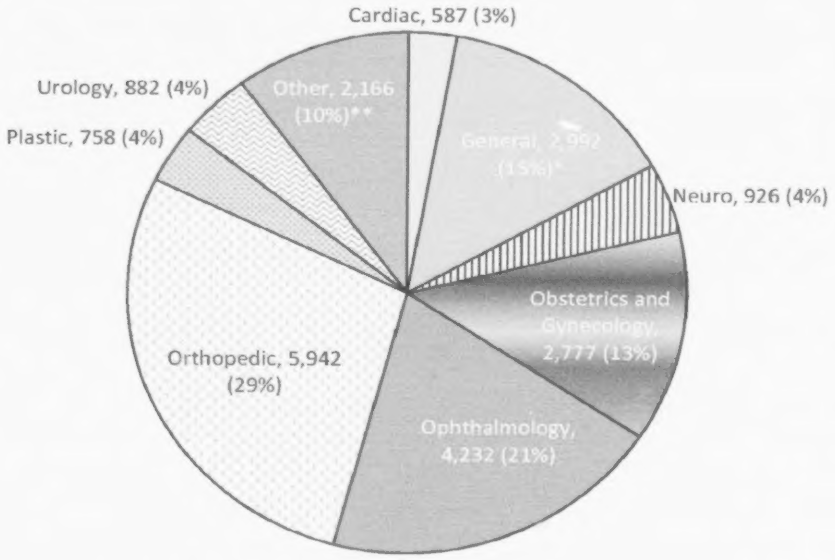
Source: Regina Qu'Appelle Health Region Surgical Accountability Framework

3.5 Surgeries Performed at Regina Qu'Appelle

From April 1, 2012 to February 28, 2013, Regina Qu'Appelle had conducted 21,262 surgeries[15] and projected 2,323 surgeries would be performed in March 2013. Using this projection, Regina Qu'Appelle estimates that it will perform 23,585 surgical procedures in 2012-13.

Figure 6 shows the types and number of surgeries conducted by Regina Qu'Appelle up to February 28, 2013.

Figure 6—Distribution of Types of Surgeries Provided by Regina Qu'Appelle Between April 1, 2012 and February 28, 2013



Source: Saskatchewan Surgical Care Network
*General surgery includes mastectomy and surgeries involving the appendix and gall bladders.
**Other includes oncology, dental, otolarangology (ear, nose, and throat), and vascular surgeries.

4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of Regina Qu'Appelle's processes to support the efficient use of surgical facilities for the period from March 1, 2012 to February 28, 2013.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. We examined Regina Qu'Appelle's surgical scheduling processes, reports to management, and other relevant documents. We also interviewed key managers and staff of Regina Qu'Appelle.

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[15] Saskatchewan Surgical Care Network database.

To evaluate Regina Qu'Appelle's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. Management agreed with the criteria in **Figure 7**.

Figure 7—Audit Criteria

To have effective processes for the efficient use of surgical facilities, Regina Qu'Appelle should:

1. **Plan for the effective use of surgical facilities**
   1.1 Assign responsibility for managing, monitoring, and reporting on surgical facility use
   1.2 Set standards for the use of surgical facilities
   1.3 Set guidance for assigning use of surgical facilities
   1.4 Set performance measures and targets for the use of surgical facilities
2. **Develop schedule**
   2.1 Schedule use of surgical facilities based on set standards and guidelines
   2.2 Coordinate schedule with other departments (e.g., pre-operative screening, post-operative care)
   2.3 Modify schedule when circumstances change
3. **Analyze key information affecting surgical facility use**
   3.1 Have a system for collecting information on surgical facility use
   3.2 Collect information on surgical facility use
   3.3 Analyze information
4. **Take corrective action to improve utilization**
   4.1 Determine what factors are inhibiting full utilization of surgical facilities
   4.2 Determine what actions need to be taken to address inhibiting factors
   4.3 Implement actions addressing inhibiting factors
   4.4 Compare results to performance measures
   4.5 Report to senior management on key information

We concluded that for the period March 1, 2012 to February 28, 2013, Regina Qu'Appelle Regional Health Authority did not have effective processes to support the efficient use of surgical facilities. To improve its processes, Regina Qu'Appelle needs to:

- **Have complete, approved standards, policies, and guidance to improve consistency of the scheduling surgical procedures and the use of surgical facilities**
- **Develop consistent processes for the composition, review, and approval of surgery schedules to improve the efficient scheduling of surgical procedures**
- **Collect and analyze information on the use of surgical facilities to determine factors that inhibit and impact the efficient use of surgical facilities**
- **Determine needed actions and implement those actions to improve the efficient use of surgical facilities**
- **Monitor progress for efficient scheduling of surgical procedures and report to the Board**
- **Establish and use performance measures and targets designed specifically for assessing the efficient use of surgical facilities**

5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out our findings and recommendations related to the criteria in **Figure 7**.

5.1 Improve Planning for the Effective and Efficient Use of Surgical Facilities

5.1.1 Responsibility Clearly Assigned

Regina Qu'Appelle has a clearly-defined delegation of responsibility for the operation, monitoring, and reporting of its surgical facilities (see **Figure 5**). Specialty Care is primarily responsible for the delivery of surgical services. Speciality Care has staff responsible for perioperative[16] services, supervision of surgical facilities, the pre-admission clinic, and day surgeries. It also is responsible for individual hospitals' surgical units and surgical patient information management including the scheduling of individual procedures and the collection of data on surgical facility use. Scheduling of individual surgical procedures (described in **Section 5.2**) is done by staff of the Surgical Patient Information Management Unit. There are eight scheduling staff and one manager in this unit.

In September 2012, the Surgical Steering Committee became responsible for the oversight of surgical performance in Regina Qu'Appelle. This Committee is described in **Section 5.4.4**.

We also noted that Regina Qu'Appelle established the Surgical Accountability Framework (see **Figure 5**) at the same time to ensure:

- Appropriate executive-level oversight over all aspects of the surgical plan
- Effective implementation of specific initiatives
- Timely response when corrective action is necessary
- Organization-wide commitment to the surgical plan

The Framework clearly assigns responsibility to appropriate staff for orthopedics, Regina Qu'Appelle surgical facilities, other surgical facilities (i.e., external surgical facilities and facilities in other regions), inpatient capacity, safety and quality, and human resources.

5.1.2 Standards for the Use of Surgical Facilities Not in Place

Regina Qu'Appelle does not have a comprehensive and approved set of standards to efficiently manage surgical facilities. It must set such standards. Once it has established standards, Regina Qu'Appelle should then establish policies and procedures as guidance for staff to follow for efficiently providing surgeries and for safe patient care. For example, standards should address:

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[16] Perioperative is defined as the period of time extending from when the patient is admitted to the hospital for surgery until the time the patient is discharged.

- Consistent patient screening and prioritization based on urgency and time waited (e.g., equitable patient screening for elective surgery, timely access to surgery based on severity of the patient's condition and the time the patient has waited)
- Capacity and optimal usage expectations for surgical facilities (e.g., hours of availability of surgical facilities, compliance with scheduled surgical times, and surgery duration estimates)
- Allocation of surgical time and facilities to surgeons (e.g., effective allocation of facility time to surgical departments [i.e., urology, orthopedics, etc.] including consideration of surgeons' wait lists)
- Composition of daily surgical schedules[17] (i.e., standards and guidance for the composition of the daily slate; See **Section 5.1.3**)
- Equipment standardization and availability (i.e., ensure required, standard equipment is available for procedures scheduled)
- Staff coordination and availability (i.e., ensure required staff [e.g., anaesthesiologists, surgical assistants, surgical nurses, etc.] are available for procedures scheduled)

Without clear standards for the use of surgical facilities, staff may do their work inconsistently. This can lead to the inefficient use of surgical facilities and potential risks to patient health and safety.

1. **We recommend that Regina Qu'Appelle Regional Health Authority establish and approve standards for the use of surgical facilities.**

5.1.3 Clear Guidelines for Allocating Surgical Time Not in Place

Currently, Regina Qu'Appelle has Operating Room Business Rules (business rules), which give some guidance for operating its surgical facilities. The business rules outline certain procedures for scheduling, contacting patients, dealing with cancellations, communicating the daily schedule (the daily slate), and restrictions due to conditions or acuity of patients that require special consideration by surgical staff. For example, external facilities cannot provide higher-risk patient surgeries.

Regina Qu'Appelle's business rules do not provide adequate, comprehensive guidance for the use of surgical facilities. The business rules do not give staff guidance, for example, on:

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[17] Composition of the schedule includes, for example, which procedures are scheduled at what times in the day, the volume of particular surgeries, and the number of similar procedures performed in a row in a surgical facility.

- Optimum time usage (e.g., hours facilities are used per day, number of procedures per room per day, etc.)
- Tracking required equipment availability
- Procedures for moving equipment in and out of surgical facilities
- Coordination of surgical staff (e.g., surgeons, surgical assistants, anaesthesiologists, surgical nurses)
- Communication with other departments such as post-operative and housekeeping

Regina Qu'Appelle uses two steps, **allocation** and **daily slate**, for allotting time and surgical facilities:

- **Allocation** is the master allotment of surgical facility time and location for surgeons and surgical groups. The allocation is a weekly calendar for each of the region's surgical facilities (both Regina Qu'Appelle-owned and external) with blocks of time reserved for individual surgeons or surgical groups. Allocations are developed two or three times a year and last for four to six months until a new allocation is developed.
- **Daily slate** is the schedule of individual surgeries within the allocation. After the allocation has been developed, Regina Qu'Appelle schedules the daily allotted time to specific patients and surgeries as requested by surgeons. The slate is published every day for the subsequent day, with the schedule of individual surgical procedures for every surgical facility.

Prior to 2012, the development of the allocation was done by a working group that consisted of members of the Regina Qu'Appelle surgical executive team and surgeon representatives. The development of the allocation can be complex, requiring consideration of differing priorities and perspectives. Accordingly, in March 2012, Regina Qu'Appelle included a wider group of stakeholders to participate in developing the allocation. Patient representatives, anaesthesiologists, nurses, and scheduling staff were invited to participate in a survey and discussion of the allocation. Staff we spoke to indicated that this process led to improvements in allocating blocks of surgical time.

However, Regina Qu'Appelle has not established policies relating to membership of an allocation working group (e.g., specifying who participates in the process to develop the allocation) or the working group's terms of reference (e.g., decision-making ability). Nor has it approved any guidance regarding allocations for the use of surgical facilities, or processes to gather input (e.g., surveys, forums, meetings).

Developing clear policies and guidance for the allocation of surgical time and facilities to surgeons will facilitate consistent practices. Without clear guidance for developing the allocation of surgeries, staff may not apply consistent criteria in allocating time and facilities for surgeries to surgeons resulting in the inefficient or inequitable use of surgical facilities and the inappropriate management of surgical wait lists.

2. We recommend that Regina Qu'Appelle Regional Health Authority develop and approve clear policies and guidance for allocation of time and surgical facilities to physicians who provide surgical services.

Composing the daily slate (as described in **Section 5.2.1**) includes balancing a number of perspectives. For example, surgeons may want certain surgical procedures scheduled for the end of the day while post-operative recovery staff may want those procedures scheduled at the beginning of the day to give patients more time to recover. Patients having day surgeries may prefer early procedures to reduce required fasting time, but surgical staff may prefer these procedures at the end of the day as they are easier to cancel and reschedule if more complicated surgeries take longer than the allotted time.

The business rules give some guidance on the process to compose the daily slate. However, without approved standards, individual scheduling staff can apply different judgments which could lead to inconsistent and inefficient scheduling practices.

3. We recommend that Regina Qu'Appelle Regional Health Authority develop and approve clear policies and guidance for scheduling time and surgical facilities for individual patients receiving surgical services.

5.1.4 Measures and Targets Needed for Assessing the Efficient Use of Surgical Facilities

Regina Qu'Appelle has developed volume-based measures and targets to monitor the performance of surgical services. For example, it measures:

- Number of procedures per day and month by specialty (e.g., hip and knee replacements)
- Number of available operating rooms per day
- Percentage of capacity used (i.e., how many available rooms are being used on a given day)
- Proportion of surgeries performed by different urgency categories (i.e., urgent, emergency, elective)

For most of these measures, Regina Qu'Appelle has also established targets. For example, Regina Qu'Appelle has a target for the number of hip replacement procedures performed, which is tracked monthly.

Efficiency-based performance measures could provide Regina Qu'Appelle with valuable information to identify factors inhibiting the efficient use of surgical facilities. This could help surgeons and staff better manage wait lists and guide patient-scheduling decisions (i.e., improve scheduling patterns). Efficiency-based measures may identify inefficiencies in Regina Qu'Appelle's current system for scheduling surgeries. Examples of efficiency-based measures could include:

- Capacity measures (i.e., actual hours facilities used compared to planned hours of use)
- Unplanned surgical facility closures and reason for closure (e.g., post-operative beds[18] not available as planned)
- Actual surgery durations compared to estimated surgery durations
- How many surgeries start and/or finish late
- Delays caused by late start of the first surgery of the day
- Number of cancellations on the day of surgery by reason for cancellation
- Number of cancellations within 48 hours of a scheduled surgery by reason for cancellation

As described earlier, Regina Qu'Appelle formed the Surgical Oversight Committee in September 2012. The Committee has identified other information and measures it would like Regina Qu'Appelle to collect in order to analyze and determine what actions it needs to take. For example, in October 2012, the Surgical Oversight Committee requested that Regina Qu'Appelle track registered nurse vacancies by surgical facility to provide greater understanding of how staffing was affecting capacity.

Once Regina Qu'Appelle has determined what performance information to collect and analyze, it should set targets and compare to actual results. While some performance information is being collected, more comprehensive monitoring of the actual use of facilities compared to the planned use would highlight unused capacity or factors inhibiting the efficient use of surgical facilities.

4. We recommend that Regina Qu'Appelle Regional Health Authority establish efficiency-focused performance measures and targets for assessing the use of surgical facilities.

5.2 Schedule Development and Maintenance Needs Improvement

5.2.1 Formal Standardized Processes for Scheduling Surgeries

As stated in **Section 5.1.3**, the process for scheduling surgeries takes place in two separate steps: the development of the allocation, and the development of the daily slate.

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[18] Post-operative bed space is needed for admission surgeries which require more than one day of recovery before discharge.

Figure 8—Daily Slate Process

1. The surgeon sends the surgery request package, with a request form and supporting information.
2. Scheduling staff enter information from the request package into the scheduling system and the Saskatchewan Surgical Care Network system.
3. Scheduling staff store the patient file in a filing cabinet organized by surgeon.
4. Scheduling staff begin to compose the daily slate (up to several weeks before the date). Staff refer to the surgeons' lists of waiting patients and enter information into the daily slate.
5. The scheduler telephones the patient to inquire whether the proposed date will work for the patient. If the time works, the procedure is confirmed. If not, the scheduler attempts to find an alternate time.
6. The daily slate is published at 11 a.m. the day before procedures begin.

Source: Provincial Auditor Saskatchewan

Once the allocation has been set (as described in **Section 5.1.3**), the process of scheduling individual surgical procedures into the surgeons' time allotment begins (i.e., the development of the daily slate [see **Figure 8**]). Scheduling staff in Regina Qu'Appelle's Surgical Patient Information Management Unit are responsible for this process (as described in **Section 5.1.1**).

When surgeons have assessed that a patient needs surgery, they are required to submit a surgery request package to the scheduling unit. This package includes a request form and supporting documentation including medical information that the surgeon will require when the patient is in the hospital for surgery.

The surgery request package process is entirely paper based. Because Regina Qu'Appelle's scheduling system, Pathways, does not allow electronic communication of surgical request packages, packages are either faxed, mailed, or couriered to the office.

We reviewed a sample of surgery request packages used by surgeons and found them to be inconsistent. More than ten different request forms are used, based on the preference of individual surgeons. Request forms do not always contain the same information, and vary in the level of detail.

Scheduling staff input information from the surgical request forms into the Pathways system to schedule individual surgical procedures in the daily slate. We observed that inconsistent, sometimes illegible request forms made this task needlessly difficult. For example, we examined a faxed request form that was completely illegible. These inconsistent and illegible forms increase the risk of entering inconsistent or inaccurate information and require extra time to be spent handling them. Inconsistent and inaccurate information could require changes to the schedule at a later date, resulting in lost efficiency and a compromised patient experience.

In August 2012, Regina Qu'Appelle proposed a new standardized request form. Staff stated that surgeons were resistant to use the new request form because of the detail of information they needed to provide. The use of one agreed-upon standardized form should improve the efficiency of the scheduling process.

5. **We recommend that Regina Qu'Appelle Regional Health Authority work with surgeons to develop a standard surgical request form that surgeons must use.**

As described in **Section 5.1.3**, without clear standards and guidelines for developing the daily slate (e.g., what types of procedures to schedule at what time of day), scheduling staff may compose the daily slate inconsistently, and potentially negatively impact the efficient use of surgical facilities.

After both the allocations and daily slates are developed, the schedule must be maintained by adjusting it to meet changing circumstances. These circumstances are dynamic and require flexibility and co-operation between surgeons and Regina Qu'Appelle. The process for adjusting the daily slate is described in **Section 5.2.3**.

5.2.2 Coordinate Schedules with Other Departments

While the scheduling office is primarily responsible for the development of the daily slate, a great deal of communication between different departments (e.g., pre-operative, surgical, post-operative and housekeeping[19] departments) within Regina Qu'Appelle is also required, so that these departments know how to prepare for their work.

Coordination between departments begins with the allocation. The allocation process allocates time to surgeons coordinated with operating room and post-operative recovery staff. For example, a planned reduction in the time allocated to surgeons is made to accommodate peak staff vacation periods. However, as described in **Section 5.1.3**, Regina Qu'Appelle does not have clear policies to guide the allocation of surgical facility time.

Regina Qu'Appelle does not currently track what and when surgical equipment is available. Ensuring needed equipment is available is essential when scheduling procedures into the daily slate. Also, surgical staff are responsible for preparing surgical facilities for surgeries, ensuring appropriate equipment is available, and supporting surgeons in their work. Therefore, they must understand and agree with daily slates and procedures scheduled.

We noted that scheduling staff maintained surgeon preference information but did so informally. For example, one surgeon may prefer a particular type of equipment while another surgeon prefers a different model. This informal tracking of individual preferences for the 85 surgeons in the region is difficult and time consuming.

The scheduling office communicates with staff of the surgical and post-operative departments using a summarized weekly list of the number of expected procedures for the following few weeks. Phone calls and emails between surgical facility managers and the manager responsible for scheduling are frequently used to identify potential conflicts and issues with the daily slate, such as the availability of required equipment. Weekly meetings between management of the surgical units and the scheduling offices are used to communicate concerns or issues with the daily slate and the composition of the surgeries scheduled (i.e., which procedures are scheduled at what times in the day, the volume of particular surgeries, the number of similar procedures performed in a row in a room).

While daily slates may require a high level of flexibility, having approved standards (e.g., the number of particular surgeries that can be performed in a day) and guidance for composing, reviewing, and approving daily slates (e.g., approval sheets) could help to address communication gaps and may reduce conflicts, issues and concerns.

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[19] In Regina Qu'Appelle, the housekeeping department is responsible for cleaning surgical facilities between procedures.

6. We recommend that Regina Qu'Appelle Regional Health Authority establish formal processes for the composition, review, and approval of scheduling daily surgeries.

5.2.3 Schedule Revised to Reflect Changing Circumstances

Regina Qu'Appelle staff regularly adjust the daily slate to reflect changing circumstances. For instance, patients may have a change in condition or situation that prevents them from having their scheduled surgery. Scheduling staff work to find a later time for patients in these circumstances, and then find other patients to take the vacated time. This process becomes more complicated the closer the daily slate comes to being realized. Sometimes patients may cancel their surgeries with very little notice. In these cases, surgical facility staff and scheduling staff work with surgeons to find patients who can accept surgeries on short notice.

We found that Regina Qu'Appelle adjusts its schedule as circumstances require.

5.3 Efficiency-focused Information Not Consistently Collected

5.3.1 System to Collect Information on Cancelled Surgeries Needed

Regina Qu'Appelle uses the Horizons Surgical Management database for the collection of information on surgeries performed. Data entry clerks in the Surgical Patient Information Unit use the Operative Case Report (scrub sheet), which is completed for every surgery by surgical staff, to input information for completed surgeries. The scrub sheet includes data such as:

- Length of the surgery
- Start time and if delayed
- Surgeon and staff who performed the surgery
- Types of anaesthesia used
- Equipment used
- What procedures were performed during the surgery

Once stored in the Horizon system's database, the information can be used for generating reports, graphs, and charts to analyze and display the information.

However, Regina Qu'Appelle does not have a system to collect information on when and why surgeries are cancelled. It reviews the daily slate after the date to record cancelled surgeries in Pathways in order to rebook procedures if required. However, information on cancelled surgeries is not easily retrievable from Pathways. This information would be valuable in assessing the efficient use of surgical facilities.

7. **We recommend that Regina Qu'Appelle Regional Health Authority implement a system to collect all needed information relating to the efficient use of surgical facilities.**

5.3.2 Analysis of Information Needs Improvement

As described in **Section 5.3.1**, Regina Qu'Appelle's data collection system collects information on completed surgeries and uses it to generate reports, charts, and graphs on volume-based measures for analysis. Every week, as part of LEAN,[20] staff review the information and managers analyze and assess what can be improved to better serve patients.

However, Regina Qu'Appelle does not routinely collect all the information that it should (e.g., information on cancelled surgeries). The monitoring and subsequent analysis of this type of information would be valuable in assessing the efficient use of surgical facilities.

8. **We recommend that Regina Qu'Appelle Regional Health Authority monitor efficiency-focused information about the use of surgical facilities.**

5.4 Need to Take Corrective Actions to Improve Utilization

5.4.1 More Work Required for Identification of Factors Inhibiting Efficiency

In 2012, Regina Qu'Appelle undertook a number of projects to identify factors affecting the efficient delivery of surgical procedures in the Region. In one project, management identified the inconsistent surgical request forms as a barrier to efficiency. Regina Qu'Appelle also identified the lack of effective business rules and inefficient surgical facility changeover (i.e., preparing rooms between surgeries) as issues.

Regina Qu'Appelle continues to identify factors that adversely affect surgical services but process changes still need to be made. Management plans to engage external surgical efficiency consultants to recommend better processes for scheduling surgeries, as well as revisiting the business rules.

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[20] LEAN is a quality improvement methodology currently being used by the Ministry of Health, RHAs, and the Saskatchewan Cancer Agency to identify and reduce inefficiencies in service delivery.

Also, management regularly but less formally identifies issues affecting performance. For example, weekly review meetings of the daily slate serve as a forum for management in different departments to discuss concerns with capacity, human resources, and scheduling. As discussed in **Section 5.2.2**, Regina Qu'Appelle can improve this process by establishing a clear process for reviewing and approving the daily slate.

However, until Regina Qu'Appelle determines the performance measures it needs to monitor (see **Sections 5.1.4** and **5.3.2**), and analyzes the relevant information it collects, it may not know what factors are inhibiting the optimum use of its surgical facilities.

5.4.2 Implement Actions that Need to be Taken

Regina Qu'Appelle has identified some actions that need to be taken in order to address issues. As noted in **Section 5.2.1**, when it identified inconsistent surgery request forms as an issue affecting scheduling, it proposed a new request form. Also, as noted in **Section 5.1.3**, when the process to develop the allocation was identified as not being sufficiently inclusive for different departments, it included a broader range of stakeholders. However, many of the suggested actions (e.g., a standardized surgical request form) have not yet been implemented or were only partially implemented.

9. **We recommend that Regina Qu'Appelle Regional Health Authority take timely action to address issues that negatively impact the efficient use of surgical facilities.**

5.4.3 Comprehensive Information on Results Compared to Targets Needs to be Analyzed

On a regular basis, Regina Qu'Appelle's management compares its current volume-based performance measures (e.g., the number of procedures completed) to targets and offers explanations if performance is not meeting targets, as well as possible initiatives to improve performance. The Surgical Oversight Committee also regularly discusses why some targets are not being met and what measures need to be refined or developed to more accurately capture performance information in the region.

However, as we noted in **Section 5.1.4**, Regina Qu'Appelle has not developed the efficiency-based measures and targets it needs for assessing and monitoring the efficient use of surgical facilities.

5.4.4 Reporting to Senior Management

Regular progress reports are provided to the Board on Regina Qu'Appelle's surgical initiatives using existing volume-based performance measurements.

The Surgical Oversight Committee, formed in September 2012, provides executive oversight for the delivery of surgical services in Regina Qu'Appelle. The Surgical Oversight Committee has terms of reference and the membership includes the Chief Executive Officer, representation of the Regina Qu'Appelle Board of Directors (including the Board Chair), Ministry of Health representatives, Regina Qu'Appelle surgical management, and patient representatives.

During its monthly meetings, the Surgical Oversight Committee reviews reports on volume-based performance measures such as number of procedures performed and projections for future months, and discusses issues that have been identified and initiatives in place to address issues. However, as noted earlier, Regina Qu'Appelle has not yet adequately developed performance measures and targets relating to the efficient use of its surgical facilities, nor has it adequately identified factors that inhibit efficient use. It needs to do so in order to explore how to improve its use of facilities.

Once it has identified factors inhibiting the efficient use of its surgical facilities (as described in **Section 5.4.1**), Regina Qu'Appelle should set targets, take actions, measure progress, and provide regular reports to the Board. These reports should describe how it is progressing towards achieving its targets to ensure that the Board has complete information on surgical performance.

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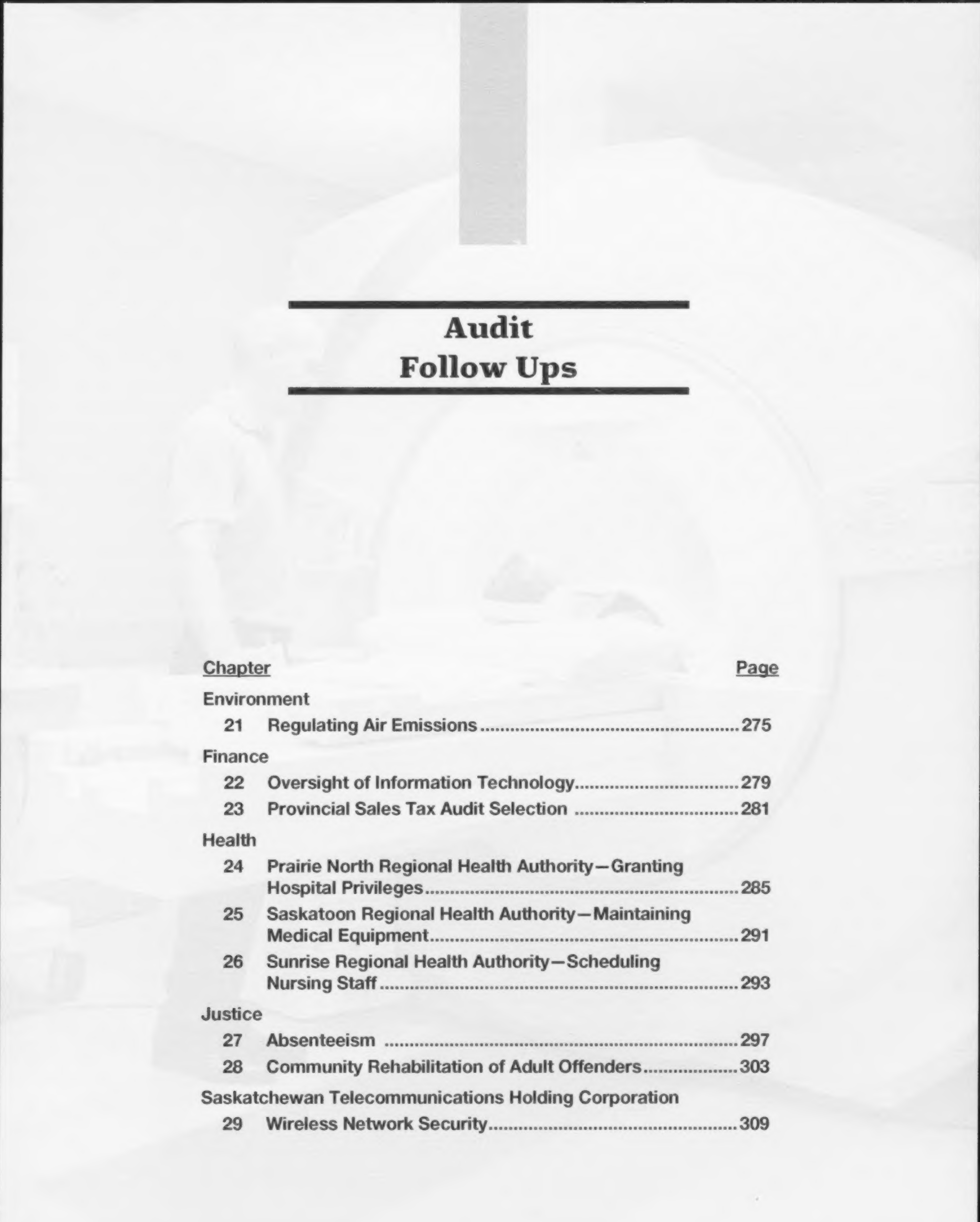

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Chapter 21
Environment—Regulating Air Emissions Follow Up

1.0 MAIN POINTS

In 2004, we made seven recommendations to strengthen the Ministry of Environment's processes to regulate air emissions. In 2012, we completed our fourth follow-up of these recommendations. We found that the Ministry has met five of our recommendations and has made progress on the remaining two recommendations. During our follow-up, we also found that since February 2011, the Ministry has not followed the existing law regarding the issuance of permits under *The Clean Air Act*. As a result, we have made one new recommendation. We recommend that the Ministry comply with existing legislation until such time as the legislation is amended.

2.0 INTRODUCTION

This chapter describes our follow-up of management's actions on the four recommendations we made in 2004 that remained outstanding in 2011.

In 2004, we assessed the Ministry's processes to regulate air emissions. Our *2004 Report – Volume 1*, Chapter 10, concluded that the Ministry did not have adequate processes to regulate air emissions. We made seven recommendations.

Since 2004, we have completed four follow-ups to assess the Ministry's progress towards addressing our past recommendations. These follow-ups were reported in our *2006 Report – Volume 3*, Chapter 5, our *2009 Report – Volume 3*, Chapter 6, and our *2011 Report – Volume 2*, Chapter 8, respectively. In our 2011 Report, we noted that the Ministry still had work to do to meet four of the seven recommendations made in 2004. This report is our fourth follow-up on these recommendations.

In January 2012, the Government released the Saskatchewan Environmental Code for public comment. The Environmental Code will change the administration of environmental protection by eliminating the need for some permits in favour of alternative approaches. The Government planned for the legislative changes required to implement the Environmental Code to become law by fall 2012[1] but this did not occur. Ministry officials are now targeting for these changes to be law in the summer of 2013. The Ministry has moved forward with the new administration prior to the changes to law being in effect. As a result, we make one new recommendation.

To conduct this review, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate the Ministry's progress towards meeting our outstanding recommendations, we used the relevant criteria from the original audit. The Ministry's management agreed with the criteria in the original audit.

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[1] Saskatchewan Government 2012 Speech from the Throne, p.17.

3.0 STATUS OF RECOMMENDATIONS

This section sets out the four outstanding recommendations and the Ministry's actions up to September 30, 2012 and the status of each recommendation. We found that the Ministry still has work to do to meet two of the four outstanding recommendations. We have also made one new recommendation.

3.1 Non-compliance with Current Legislation

We recommended that the Ministry of Environment establish processes to ensure permits to regulate air emissions are properly approved and expired permits are followed up on promptly. (2004 Report – Volume 1; Public Accounts Committee agreement December 1, 2004)

Status – Not Implemented

The Ministry has outlined in the Clean Air Permitting Protocol what is required for air permits to be approved as well as what the processes are for waiving a permit and renewing an expired permit. The Ministry continues to maintain an inventory of permits and their expiry dates on a spreadsheet. Operators are required to apply for a clean air permit renewal sixty days prior to expiry per *The Clean Air Regulations*. Employees use the spreadsheet to identify permits that will soon expire and notify the operators to apply for renewal of those permits. However, the spreadsheet is not kept current. For example, some permits do not have their permit number listed, and some permits that expired remained on the spreadsheet as "current".

We also found that the Ministry stopped issuing permits for certain industries, (e.g., asphalt plants) in February 2011. These industries will not be required to have a permit once the legislative changes related to the Government's new Environmental Code become law. This action is not in compliance with the existing law. The Government had planned for these changes to be law by fall 2012 but this did not occur. Ministry officials are now targeting for these changes to become law in the summer of 2013. Some of these companies had permits that expired prior to 2010. Under *The Clean Air Act*, the Minister can waive a permit for a minor source of air contaminants but this was not done in these instances.

1. **We recommend that the Ministry of Environment issue permits in compliance with existing legislation (*The Clean Air Act*) until such time as the legislation is amended.**

3.2 Guidance for Monitoring Compliance with Permits in Draft Form

We recommended that the Ministry of Environment set sound and consistent processes for monitoring compliance with permits to regulate air emissions and for handling air emission complaints. (2004 Report – Volume 1; Public Accounts Committee agreement December 1, 2004)

Status – Partially Implemented

The Clean Air Permitting Protocol and the Air Monitoring Guideline for Saskatchewan provide employees of the Ministry with written guidance on what to monitor and when. The established guidance requires employees to review operators' annual compliance reports and prepare a summary report for management on non-compliant matters identified. Employees use a standardized form to monitor operators and take action on complaints. The Ministry has drafted an Inspection Manual that adequately outlines what Environmental Protection Officers are to do to prepare for, complete and compile their findings on the inspections of the operators. This manual is being used by staff even though it is still in draft form. Management needs to approve the manual.

The Industrial Branch Primary Contact and Responsibilities document has processes for Ministry employees to record, investigate, and document the resolution of complaints. The Ministry is currently using a spreadsheet to track complaints for operators that are not directly related to a larger assigned industrial facility. This spreadsheet contains information on the caller, their contact information, the nature of the complaint, and how the Ministry resolved that complaint. The Ministry indicated that they plan on transitioning to a database system for tracking complaints and permit compliance. For larger facilities, the complaints are directed to the appropriate Environmental Project Officer and recorded in that operator's individual file. The Environmental Project Officer will then follow up with the complainants directly and report to management any findings on non-compliance by the operator.

3.3 Collecting and Maintaining Information to Prepare Reliable Reports

We recommended that the Ministry of Environment establish systems to collect and maintain information to prepare reliable reports. (2004 Report – Volume 1; Public Accounts Committee agreement December 1, 2004)

Status – Implemented

The Ministry maintains manual records for each of its permit holders and uses a spreadsheet to collect and maintain information centrally on permits, inspections, and actions taken. Management uses the spreadsheets to assess the Ministry's performance.

The Ministry has prepared guidelines for operators, such as the Environmental Monitoring Guidelines for Mining Operations and the Environmental Performance Reports Guidelines. These guidelines outline when and how the operator is to gather data to ensure it is sufficient and that the reports provided to the Ministry are consistent and complete.

The Ministry utilizes the Saskatchewan Air Monitoring Lab[2] for gathering data for air quality reports in locations that do not currently have a permanent monitoring station. In December 2011, the Ministry published the Saskatchewan Air Monitoring Laboratory 2010 Mobile Air Quality Monitoring Report summarizing the Lab's findings. The Ministry also collects and stores air quality data from six permanent monitoring stations throughout the province (Regina, Saskatoon, Prince Albert, Swift Current, Buffalo Narrows, and North Battleford) on its website.

3.4 Internal and External Reporting on Air Emissions in Place

We recommended that the Ministry of Environment should improve its internal and external reporting on air emissions. (2004 Report – Volume 1; Public Accounts Committee agreement December 1, 2004)

Status – Implemented

Employees are expected to report to management any non-compliant items identified for a specific operator as incidents arise. Operators are required to meet the Saskatchewan Ambient Air Quality Standards along with any other site-specific conditions in their operating permits. Ministry staff inspect the operators for compliance with these conditions and report their findings to management. Frequency of monitoring and reporting on air emissions is identified in each industry's permit to operate and the frequency of compliance inspections is determined through branch compliance planning and individual employee work planning sessions. Air quality reporting updates are provided in summaries of the Saskatchewan Air Monitoring Lab activities, in the State of the Environment Reporting process, and on the Ministry's website from the permanent air monitoring stations throughout the province.

The Ministry has improved its external reporting to include the Air Quality Index and the Air Quality Health Index on its website. These Indexes contain real time and historical data for several locations around the province. The Ministry established the Southeast Saskatchewan Airshed Association which reports continuous regional air quality monitoring results on its website. In 2012, the Ministry established an additional airshed known as the Western Yellowhead Air Management Zone where air monitoring began in North Battleford in March 2012.

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[2] The Saskatchewan Air Monitoring Lab is a vehicle, owned by the Ministry, designed to measure air quality and is equipped to continuously monitor a variety of air pollutants simultaneously.

Chapter 22
Finance—Oversight of Information Technology Follow Up

1.0 MAIN POINTS

This is the second follow-up of recommendations from our *2009 Report – Volume 3*, Chapter 7, regarding the Ministry of Finance's (Finance) processes for oversight of information technology (IT) where we made two recommendations. At March 14, 2013, Finance has partially implemented these two outstanding recommendations. Finance has not completed its work to develop an IT risk management plan based on an analysis of IT risks and has not yet implemented an IT strategic plan.

2.0 INTRODUCTION

In carrying out its mandate, Finance makes extensive use of IT. In 2011-12, Finance spent $7.2 million on IT and the Ministry estimates spending of $6.3 million for 2012-13.[1]

In 2009, we assessed Finance's processes for oversight of IT. Our *2009 Report – Volume 3*, Chapter 7, concluded that Finance had adequate processes for oversight of its IT for the twelve-month period ending September 30, 2009, except Finance needed to develop an IT risk management plan based on an analysis of IT risks and implement an IT strategic plan. We made two recommendations. Our *2011 Report – Volume 2*, Chapter 9, reported that Finance had made some progress towards implementing our 2009 recommendations and had more work to do.

Finance works with its service providers, including the Information Technology Office (ITO), in using IT. Nevertheless, Finance is ultimately responsible for its own use of IT, and thus must maintain effective oversight.

Effective oversight of IT is crucial to achieving Finance's overall strategies for efficient financial systems and processes to support good governance and effective delivery of programs and services to the public.

This chapter describes our second follow-up of management's actions on the recommendations we made in 2009.

To conduct this review, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate Finance's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Finance's management agreed with the criteria from the original audit.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation, Finance's actions up to March 14, 2013, and the status of each recommendation. We found that Finance has made some progress, but still has work to do.

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[1] Ministry of Finance accounting records.

3.1 IT Risk Analysis and Risk Management Plan

We recommended the Ministry of Finance develop an information technology risk management plan based on an analysis of information technology risks. (2009 Report – Volume 3; Public Accounts Committee agreement June 25, 2010)

Status – Partially Implemented

As reported in our *2011 Report – Volume 2*, Chapter 9, Finance continues to have a risk register of identified, analyzed, and evaluated risks relating to the Ministry's IT strategy for effective delivery of programs and services to the public.[2]

Finance had not used the risk register to develop responses to identified risks and complete a risk management plan. Management indicates that it plans to draft an IT risk management plan in 2013-14.

3.2 IT Strategic Plan

We recommended the Ministry of Finance implement a strategic information technology plan that aligns with its strategic business objectives. (2009 Report – Volume 3; Public Accounts Committee agreement June 25, 2010)

Status – Partially Implemented

Consistent with our *2011 Report – Volume 2*, Chapter 9, Finance has a draft IT strategic plan (plan) which includes planned IT initiatives for all of its divisions. Finance has updated this draft plan since our 2011 Report. The plan aligns with the Ministry's overall priorities and action plans.

Finance also continues to maintain a five-year plan for proposed IT projects categorized by priority, determined by informal assessments of business risk.

Management plans to finalize and approve the IT strategic plan before the summer of 2013.

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[2] Ministry of Finance. (2012). *Plan for 2012-13.*

Chapter 23
Finance—Provincial Sales Tax Audit Selection Follow Up

1.0 MAIN POINTS

This chapter is a follow-up of recommendations from our *2007 Report – Volume 3*, Chapter 9, regarding the Ministry of Finance's processes to select businesses for audit to promote compliance with provincial sales tax laws. At March 26, 2013, the Ministry of Finance has implemented all of our previous recommendations.

2.0 INTRODUCTION

Under *The Provincial Sales Tax Act*, the Ministry of Finance (Finance) collects a 5% provincial sales tax (PST) on certain consumer purchases. Finance collected $1.32 billion in PST revenues in 2011-12 and expects to collect $1.35 billion in 2012-13.[1,2]

Effective management of the provincial sales tax system is crucial to achieving Finance's strategies for a competitive tax system, optimized revenue to the province, and accountable financial and performance management. Finance conducts routine audits of taxpayer records to promote compliance with PST laws[3] and to determine if taxpayers have reported and paid the correct amount of taxes.

This chapter describes our follow-up of management's actions on two recommendations outstanding since our 2007 audit of Finance's processes to select businesses for audit to promote compliance with provincial sales tax laws.

Our *2007 Report – Volume 3*, Chapter 9, concluded that Finance had adequate processes to select businesses for PST audit with some exceptions. We made five recommendations.

Our *2009 Report – Volume 3*, Chapter 7, reported that while Finance made considerable progress and planned for further progress, the recommendations were not met.

Our *2011 Report – Volume 2*, Chapter 9, reported that Finance had implemented three of the five recommendations and partially implemented the remaining two recommendations.

To conduct this review, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate Finance's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Finance had agreed with these criteria in the original audit.

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[1] Ministry of Finance. (2012). *Public Accounts 2011-12, Volume 1*, p. 73.

[2] Ministry of Finance. (2013). *Saskatchewan Budget Update 12-13. 3rd Quarter Financial Report*, p. 10.

[3] *The Provincial Sales Tax Act* and *The Provincial Sales Tax Regulations*.

3.0 STATUS OF RECOMMENDATIONS

This section sets out the two outstanding recommendations, Finance's actions to March 26, 2013, and the status of the recommendations. We found that Finance has implemented these two remaining recommendations.

3.1 Desired Outcomes Identified

We recommended that the Ministry of Finance set the desired outcomes of the provincial sales tax audit selection process in measurable terms. (2007 Report – Volume 3; Public Accounts Committee agreement March 25, 2009)

Status – Implemented

In 2011, as previously reported, Finance had identified goals and related action plans that specifically related to PST audit selection but had not decided on which measures to use as the basis of measuring its progress in achieving those goals (performance measures).

Finance's Audit Branch is responsible for selecting and carrying out PST audits. Finance's 2012-13 Audit Branch strategic plan (strategic plan) includes 19 performance measures and targets related to its four business goals. Some of the measures are output measures (e.g., amount of audit revenue assessed, cost per direct audit hour, number of proactive outreach letters sent); others are outcome measures (e.g., audit satisfaction survey results). Although the Audit Branch's 2012-13 performance measures did not explicitly include a measure of the overall rate of taxpayer non-compliance (i.e., the "tax gap"), it continued to collect data to be able to measure and report on the tax gap.

The Audit Branch's strategic plan aligns with the *Ministry of Finance Plan for 2012-13*.[4] This Plan includes a related strategy "Optimizes Revenue to the Province", a measure "Benefit-cost ratio of audit and compliance activities", and the following related key actions:

- Promote compliance with Saskatchewan's tax programs through quality service, taxpayer education, and responsible, effective enforcement
- Continue implementation of changes to the tax audit selection process to identify those businesses most likely to not comply with provincial tax laws and target audit resources accordingly
- Continue implementation of changes to educate those businesses identified as low to medium tax risk to improve voluntary compliance[5]

The selected performance measures sufficiently set out Finance's desired outcomes of the PST audit selection process.

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[4] Available from http://www.finance.gov.sk.ca/PlanningAndReporting/2012-13/FinancePlan1213.pdf. (2 May 2013).

[5] Ministry of Finance. (2012). *Ministry of Finance Plan for 2012-13*, p. 3.

3.2 Reporting on Effectiveness of Audit Selection Process

We recommended that the Ministry of Finance require its senior management to receive reports on the effectiveness of the provincial sales tax audit selection process. (2007 Report – Volume 3; Public Accounts Committee agreement March 25, 2009)

Status – Implemented

As expected by senior management, the Audit Branch provided senior management with its mid-year report in December 2012. This report outlined the Branch's progress towards meeting goals and objectives outlined in its strategic plan. It compared actual results-to-date to planned targets for 17 of its 19 performance measures. For two performance measures (i.e., turnaround time for quality control review and percentage of staff who meet annual training hours), Finance continues to work on implementing processes to be able to collect data to report on these measures.

The Audit Branch's report includes additional contextual information (e.g., details of total revenues assessed, reasons why targets not achieved) to help senior management understand the results as compared to targets. Also, the report specifically describes actions taken for all of the Audit Branch's objectives and additional information on the performance measures.

The report provides senior management with sufficient information to enable them to assess the effectiveness of the PST audit selection process.

Chapter 24

Prairie North Regional Health Authority—Granting Hospital Privileges Follow Up

1.0 MAIN POINTS

In 2011, we assessed Prairie North Regional Health Authority's (Prairie North) processes to grant privileges to physicians. We concluded that Prairie North did not have adequate processes to grant privileges to physicians and made seven recommendations to help Prairie North strengthen its processes.

Prairie North has implemented three of the seven recommendations that we made in 2011. Prairie North still needs to align its processes with the Practitioner Staff Bylaws, clarify the responsibilities of its medical advisory committees, continue developing requirements for physicians doing special procedures, and monitor physicians' use of medical privileges.

2.0 INTRODUCTION

Under *The Regional Health Services Act*, regional health authorities (RHAs) are responsible for granting medical privileges to physicians. Physicians must receive medical privileges before they can admit patients to hospitals to do diagnostic tests, perform surgeries, etc.

Prairie North provides health services to the northwest part of Saskatchewan. It is responsible for ensuring that qualified physicians deliver safe, competent health care in its hospitals. One way it does so is by granting medical privileges to eligible physicians.

In 2011, we assessed Prairie North's processes to grant privileges to physicians. Our *2011 Report – Volume 1*, Chapter 10, concluded that Prairie North did not have adequate processes to grant medical privileges to physicians. We made seven recommendations to help Prairie North strengthen its processes. The Standing Committee on Public Accounts agreed with our recommendations on August 28, 2012.

This chapter describes our follow-up of management's actions on the recommendations we made in 2011.

To conduct this review, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate Prairie North's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Prairie North's management agreed with the criteria in the original audit.

3.0 STATUS OF RECOMMENDATIONS

This section sets out the recommendations and Prairie North's actions up to March 31, 2013. We found that Prairie North has fully implemented three of the recommendations but still has work to do for the remaining four recommendations.

3.1 Processes Consistent But Not Yet Aligned with Bylaws

We recommended that Prairie North Regional Health Authority monitor whether its processes for granting medical privileges are aligned with its Practitioner Staff Bylaws and take action to ensure consistent processes across the region. (2011 Report – Volume 1; Public Accounts Committee agreement August 28, 2012)

Status – Partially Implemented

The Practitioner Staff Bylaws require the Practitioner Advisory Committee (Advisory Committee) to make recommendations to the Board regarding the granting of medical privileges to physicians. The Advisory Committee can appoint an ad hoc committee and set its terms of reference to carry out this responsibility. Prairie North uses its Medical Advisory Committees (MACs) to review the requested medical privileges of its physicians and make recommendations to the Board. However, Prairie North has not developed terms of reference for its MACs.

Prairie North has begun work to better allow it to monitor whether its processes for granting medical privileges are aligned with its Practitioner Staff Bylaws. As part of this work, Prairie North has assigned two of its existing physicians as senior medical officers. It clarified that the role of these co-senior medical officers is to hire physicians and recommend granting of medical privileges. They are also responsible for the discipline process, along with ensuring these processes are consistent with the Practitioner Staff Bylaws. Prairie North also plans to designate clinical chiefs, who will oversee and monitor physician competencies.

Prairie North has done work to ensure that there are consistent processes for granting medical privileges across its region. Prairie North has also revised and implemented standard forms that are used across its region. The forms include checklists of information that must be included with applications. For example, proof of liability insurance and a current medical license must be attached with the application. The senior medical officer must also sign off on the application indicating that all of the required documentation was received.

3.2 Responsibilities Not Yet Clear

We recommended that that Prairie North Regional Health Authority clarify the responsibilities of the Chief of Medical Staff and committees in each hospital for granting medical privileges. (2011 Report – Volume 1; Public Accounts Committee agreement August 28, 2012)

Status – Partially Implemented

As discussed in **Section 3.1**, Prairie North has clarified the responsibilities of the senior medical officers. However, it has not yet done so for its MACs that are responsible for reviewing and recommending privileges to be granted to physicians. Prairie North needs to develop terms of reference for its MACs.

3.3 Requirements Starting to be Set But More Work Needed

We recommended that Prairie North Regional Health Authority set requirements for granting medical privileges to physicians doing special procedures such as anesthesia or practicing as specialists in the region. (2011 Report – Volume 1; Public Accounts Committee agreement August 28, 2012)

Status – Partially Implemented

Prairie North has begun drafting requirements for granting privileges to physicians for doing special procedures. For example, Prairie North has drafted requirements for those physicians with obstetrical privileges. The drafted requirements set out the required skills, along with the mandatory training needed to maintain those privileges. Prairie North needs to establish requirements for granting privileges to all medical specialists and have the Board approve those requirements.

3.4 Applications Complete

We recommended that Prairie North Regional Health Authority consistently require physicians to submit complete applications with the documentation required by its Practitioner Staff Bylaws before granting medical privileges. (2011 Report – Volume 1; Public Accounts Committee agreement August 28, 2012)

Status – Implemented

The Practitioner Staff Bylaws require physicians to submit specific documents with their applications for seeking medical privileges (e.g., proof of liability insurance and a copy of the physician's current medical license). Physicians applying for medical privileges for the first time must also provide a current criminal record check. We found that all applications that we reviewed included current copies of liability insurance, medical licenses, and criminal record checks.

Prairie North also implemented a system to track outstanding documents. When a physician submits an incomplete application, Prairie North notes which documents are outstanding on a spreadsheet. Communication (i.e., letters or emails) is sent to the physicians reminding them of the missing documentation, and the consequences of not submitting the required documents (e.g., privileges may not be approved).

3.5 Reference Checks Conducted

We recommended that Prairie North Regional Health Authority conduct reference checks for physicians applying to practice medicine in its hospital for the first time. (2011 Report – Volume 1; Public Accounts Committee agreement August 28, 2012)

Status – Implemented

Prairie North now conducts reference checks for physicians applying for medical privileges for the first time. For all the applications we reviewed, we found that Prairie North received the standard form (e.g., checklist and questions) from all of the applicants. We also saw evidence of reference checks to verify that the applicants had adequate competence to practice medicine in Prairie North's hospitals.

3.6 Board Reviewing Privileges Appropriately

We recommended that Prairie North Regional Health Authority approve, amend, or revoke recommended medical privileges at the Board's next regular meeting as required by its Practitioner Staff Bylaws and inform the Board of any temporary medical privileges granted. (2011 Report – Volume 1; Public Accounts Committee agreement August 28, 2012)

Status – Implemented

Upon approval from the senior medical officers and the MACs, the recommendations for granting medical privileges to new physicians are reviewed, approved, amended, or denied by the Board at its next available meeting.

The Board also reviews privileges for continuing physicians once a year based on MACs recommendations.

For all of the files we reviewed, physician privileges were properly approved or amended by the Board. For example, in two of the files we reviewed, the senior medical officers questioned the physicians about privileges requested and the lack of required training. In these files, the senior medical officers and physicians determined that the physician would no longer use those privileges. Therefore, the senior medical officers and the MAC recommended the Board remove those privileges.

Also, in cases where temporary privileges were granted to physicians by the senior medical officers and MACs, the Board was appropriately notified.

3.7 Need to Monitor Use of Privileges

We recommended that Prairie North Regional Health Authority analyze whether physicians complied with the medical privileges granted and revise medical privileges as necessary. (2011 Report – Volume 1; Public Accounts Committee agreement August 28, 2012)

Status – Partially Implemented

As mentioned earlier, Prairie North has drafted requirements for physicians seeking and maintaining obstetrical privileges. Those requirements include the mandatory training that physicians must obtain to keep their privileges. As part of the annual process, physicians are now required to provide proof of certification/recertification of this mandatory training. Also, during the annual process, physicians with emergency room privileges must provide proof that they have taken the advanced cardiac life support course.

Management indicated that Prairie North plans to establish requirements for other medical specialties. Doing so will help to ensure that physicians with certain privileges are maintaining their competencies in the procedures associated with those privileges.

Chapter 25
Saskatoon Regional Health Authority—Maintaining Medical Equipment Follow Up

1.0 MAIN POINTS

Saskatoon Regional Health Authority (Saskatoon RHA) has not yet implemented the recommendation we made in 2011 relating to maintenance of its medical equipment. In our *2011 Report – Volume 1*, we reported that Saskatoon RHA needed to establish written policies and procedures for maintaining its medical equipment. It still has not done this.

2.0 INTRODUCTION

Saskatoon RHA is responsible for the overall quality of care for its patients. To provide a high level of patient care, Saskatoon RHA uses medical equipment to help diagnose and treat patients.

Poorly-maintained equipment could malfunction resulting in incorrect diagnosis or treatment. Furthermore, equipment failure could result in unsafe care that may harm patients.

In 2011, we assessed Saskatoon RHA's processes to maintain its medical equipment and reported our findings and conclusion in our *2011 Report – Volume 1*, Chapter 18. We concluded that, for the twelve-months ended February 28, 2011, Saskatoon RHA had adequate processes to maintain its medical equipment in three Saskatoon hospitals and the Humboldt District Hospital except in one area. Saskatoon RHA needed to establish written policies and procedures for maintaining its medical equipment. We made one recommendation.

This chapter describes our follow-up of management's actions on this recommendation.

To conduct this review, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*. To evaluate Saskatoon RHA's progress towards meeting our recommendation, we used the relevant criterion from the original audit. Saskatoon RHA's management agreed with the criterion in the original audit.

3.0 STATUS OF RECOMMENDATION

This section sets out our past recommendation and Saskatoon RHA's actions up to March 31, 2013. We found that Saskatoon RHA still has work to do.

3.1 Policies and Procedures for Medical Equipment Maintenance not Established

We recommended that Saskatoon Regional Health Authority establish written policies and procedures for maintaining medical equipment at all of its healthcare facilities. (2011 Report – Volume 1; Public Accounts Committee agreement October 12, 2012)

Status – Not Implemented

Saskatoon RHA has not yet established written policies and procedures for maintaining its medical equipment at all of its healthcare facilities. Management indicated that it planned to have a policy drafted and approved by the Board by the end of March, 2013. As of April 19, 2013, a policy has been drafted but has not yet been provided to the Board for approval.

Chapter 26
Sunrise Regional Health Authority—Scheduling Nursing Staff Follow Up

1.0 MAIN POINTS

Sunrise Regional Health Authority (Sunrise) has implemented the three recommendations that we made in 2010 relating to scheduling nursing staff. In our *2010 Report – Volume 1*, we reported that Sunrise needed to follow its established policies for the approval of payroll, identify and report on the causes of overtime, implement strategies for reducing overtime usage, and report progress to the Board.

2.0 INTRODUCTION

Under *The Regional Health Services Act*, Sunrise is responsible for the planning, organization, delivery, and evaluation of health services it provides within its health region. To provide safe, quality health services, a sufficient number of nursing staff must be on duty to provide proper patient care.

In 2010, we assessed Sunrise's processes to schedule required nursing staff for patient care. Our *2010 Report – Volume 1*, Chapter 12, concluded that Sunrise had adequate processes for scheduling required nursing staff for patient care in its healthcare facilities including managing labour costs related to overtime, except for the following matters.

It needed to:

- Follow established policies to review and approve nursing staff timesheets
- Identify and regularly report to the Board the causes of nursing staff overtime costs
- Implement established strategies for addressing causes of nursing staff overtime costs and provide regular progress reports to the Board

We made three recommendations.

This chapter describes our follow-up of management's actions on the recommendations we made in 2010.

To conduct this review, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*. To evaluate Sunrise's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Sunrise's management agreed with the criteria in the original audit.

3.0 STATUS OF RECOMMENDATIONS

This section sets out the recommendations and Sunrise's actions up to March 23, 2013. We found that Sunrise has implemented all of our recommendations.

3.1 Timesheets Approved

We recommended that Sunrise Regional Health Authority ensure its nursing managers or other authorized staff follow established policies to review and approve nursing staff timesheets. (2010 Report – Volume 1; Public Accounts Committee agreement January 19, 2011)

Status – Implemented

Individual work units within Sunrise's health care facilities (e.g., Yorkton Hospital's Intensive Care Unit) have daily timesheets recording the hours worked by individual staff. Sunrise's policy requires staff to initial these timesheets to verify that they worked the time as indicated and supervisors are required to approve the timesheets. Under the established policies, payroll staff do not process payroll if the timesheets are not approved. We found that all of the timesheets that we examined were properly initialed by staff and approved by their supervisors prior to payroll processing.

3.2 Overtime Causes Identified and Reported

We recommended that Sunrise Regional Health Authority identify and regularly report to the Board the causes of nursing staff overtime costs. (2010 Report – Volume 1; Public Accounts Committee agreement January 19, 2011)

Status – Implemented

As part of its efforts to address overtime costs, Sunrise now generates reports that identify reasons for overtime, including sick time relief, vacation relief, and workload relief. This information is tracked regionally and by facility.

Sunrise's senior management reviews this information at monthly meetings. Sunrise now provides these reports to its Board on a quarterly basis.

3.3 Strategies Being Implemented

We recommended that Sunrise Regional Health Authority implement established strategies for addressing causes of nursing staff overtime costs and provide regular progress reports to the board. (2010 Report – Volume 1; Public Accounts Committee agreement January 19, 2011)

Status – Implemented

Sunrise has approved a number of strategies to address concerns about its overtime costs. It implemented the strategies it had established at the time of our audit. It has also devised and implemented other strategies to address causes of high overtime. For example, it has implemented the Strategies Toward Enhanced Performance. Under this strategy, Sunrise requires staff to report absences due to illness and other health issues. This allows Sunrise to accommodate health concerns that prevent staff from carrying out their normal duties. Additionally, Sunrise is actively recruiting new nurses to reduce workload pressures and address overtime costs.

As described above, the Sunrise Board is regularly receiving reports on overtime costs. These reports include the progress of initiatives and an assessment of whether Sunrise is meeting its target for reducing its overtime costs.

Chapter 27
Justice—Absenteeism Follow Up

1.0 MAIN POINTS

We followed up the Ministry of Justice's actions on eight recommendations we made in 2010.

Effective May 25, 2012, the responsibilities of corrections and policing in Saskatchewan became a part of the Ministry of Justice (Ministry). In 2010, we made eight recommendations to improve the Ministry's processes to manage absenteeism and associated labour costs at provincial adult correctional centres. Since 2010, the Ministry has done significant work to manage absenteeism resulting in reduced overtime costs and sick days. The Ministry has addressed six of the eight recommendations we made. The Ministry still needs to appropriately manage and pay corrections workers who trade shifts.

2.0 INTRODUCTION

The Ministry of Justice (Ministry) is responsible for managing provincial correctional centres and labour costs under *The Correctional Services Act*. The Ministry employs over 1,200 corrections workers (925 corrections workers in 2009) who work in four adult correctional centres located in Regina, Saskatoon, and two in Prince Albert.

In 2010, we assessed the Ministry of Corrections, Public Safety and Policing's processes to manage provincial correctional centres' labour costs related to absenteeism. Labour costs include absenteeism and associated overtime costs. Our *2010 Report – Volume 1*, Chapter 4, concluded that as of December 31, 2009, the Ministry of Corrections, Public Safety and Policing did not have adequate processes to manage provincial adult correctional centres' labour costs related to absenteeism.

Correctional centres require 24-hour staff coverage to keep inmates, corrections workers, and the public safe. As a result, when corrections workers are absent from work, another worker must be called in to cover their shift. For example, if a corrections worker is sick and unable to work his/her scheduled shifts, the corrections worker that is sick still gets paid through available sick leave entitlements and another worker is called in to work the shift. Overtime costs may occur when the replacement workers have already worked their required regular hours, or where corrections workers are called in on their regular day off.

By not effectively managing absenteeism and the related labour costs, the Ministry faces the risk of excessive costs and undetected abuse of absenteeism. We found such processes were lacking when we conducted our audit in 2010, and made eight recommendations for improvement.

To conduct this review, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Management agreed with the criteria in the original audit.

3.0 STATUS OF RECOMMENDATIONS

The following sections set out the eight recommendations we made and the Ministry's actions to address these recommendations up to December 31, 2012. We based our findings on examination of the Ministry's policies, procedures, and management reports. We also examined payroll processing in the four correctional centres.

Adult Corrections, which is a division under the Ministry of Justice, incurred $69.1 million in salaries during the 2011-12 fiscal year, of which $6.9 million was related to overtime. Overtime costs in Adult Corrections were $9.6 million in 2009-10. There has been about a 28% decrease in overtime costs over the past three years (see **Figure 1**).

Figure 1—Three Year Comparison of Overtime (OT) Costs for Adult Corrections

	April 1, 2009 to March 31, 2010	April 1, 2010 to March 31, 2011	April 1, 2011 to March 31, 2012
Total OT Costs	$9.6 million	$7.5 million	$6.9 million
Total Salary Costs	$65.7 million	$66.5 million	$69.1 million
OT Costs as a % of Total Salary Costs	14.6%	11.3%	10%

Source: Ministry of Justice financial information

Since 2010, the Ministry has done significant work to improve absenteeism resulting in reduced overtime costs and average sick days. We found the Ministry has addressed six out of the eight recommendations we made.

3.1 Principles Set and Monitoring Sick Leave

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) communicate to employees guiding principles such as personal accountability and fiscal responsibility. (2010 Report – Volume 1; Public Accounts Committee agreement May 11, 2011)

Status – Implemented

The Ministry developed and implemented a Commitment to Excellence and Code of Professional Conduct (Code) in 2010 for Adult Corrections which includes guiding principles on personal accountability, and fiscal responsibility for corrections workers. For example, the Code expects corrections workers to complete timesheets accurately and sign off timesheets accordingly. The Code was communicated to Adult Corrections' employees through presentations and training sessions in 2010.

Supervisors discuss the Code with corrections workers on an annual basis.

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) set formal thresholds to monitor sick leave and excessive hours worked and communicate these thresholds to corrections workers. (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)

Status – Implemented

The Ministry created an Attendance Management Policy in 2010. The Policy includes formal thresholds for monitoring excessive sick leave. For example, the Policy notes that supervisors should monitor corrections workers using more than eight days of sick leave in a year. Management at correctional centres receive monthly reports highlighting workers who have incurred excessive sick leave (e.g., over eight sick leave days), and they follow up to determine the reason for the high amount of sick leave and meet with workers as required. As noted in **Figure 2**, the average sick leave days per employee has gone down from 16 days in 2010 to 13 days in 2012.

Figure 2—Average Sick Leave Days for Adult Corrections

	2009-10	2010-11	2011-12
Average Sick Leave Days per Full-time Equivalent (FTE)	16.63	13.87	13.21

Source: Ministry of Justice information

The Ministry tries to ensure the amount of hours each corrections worker works is reasonable (and not excessive) when scheduling corrections workers and when managing vacancies. Management schedules corrections workers to minimize the amount of consecutive hours and days worked. Through an overtime reduction strategy implemented in 2010, there were additional corrections workers recruited to establish float pools to avoid excessive hours of work. Float pools allow for more scheduled employees than the minimum requires for flexible coverage of absent employees. As shown in **Figure 1**, overall overtime costs have decreased at adult correctional centres since our audit. The Ministry does not backfill shifts created by unplanned absences with a corrections worker which would result in overtime, unless there is no alternative worker available to fill the shift.

3.2 Employees Recording and Being Paid for Hours Not Worked

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) monitor and control changes to work schedules to minimize labour costs in correctional centres (e.g., approval of shift trades, pay out of overtime). (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)

Status – Partially Implemented

The Ministry has reduced overtime costs by $2.7 million since the time of our initial audit. Management at correctional centres receive monthly reports that outline overtime costs. Management uses these reports as part of their financial forecasting process to monitor and explain why overtime costs have been incurred. Explanations include identification and quantification of controllable and non-controllable factors impacting overtime costs.

As noted in **Section 3.4**, supervisors that control changes to work schedules are now out-of-scope employees. Supervisors provide each corrections worker with an equal opportunity to work additional hours, but also attempt to minimize labour costs where possible. The reduction in overtime costs since 2010 coincides with this change.

The Ministry continues to investigate the use of scheduling software to generate further efficiencies. Scheduling software can assist in deciding the most efficient selection of corrections workers based on various factors including anticipated overtime costs. Scheduling software is currently being evaluated at the Regina Correctional Centre. The new scheduling system has the capacity to identify and record overtime costs by cause (i.e., sick leave, training, workload, etc.). The Ministry should continue to explore the use of a scheduling system to assist in monitoring and controlling overtime costs.

Changes to work schedules can occur as a result of shift trades made between corrections workers. Shift trades are not subject to approval by management at one of the correctional centres, as per the Letters of Understanding with the union. Shift trades are still impacting the correct completion of timecards and therefore the correct payment to corrections workers. We further describe this below.

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) pay corrections workers for actual hours worked. (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)

Status – Partially Implemented

The Ministry chooses to pay corrections workers by the hour. Certain correctional centres operate under Letters of Understanding that allow corrections workers to engage in "shift trades". Under a shift trade, a corrections worker will exchange shifts with another corrections worker without management's involvement or knowledge. The corrections worker who was originally scheduled for the shift will complete their timesheet as if they were at work and a supervisor will approve the timesheet, even though the corrections worker was not even at work. In turn, the same corrections worker will work another shift for the corrections worker with whom the shift had been exchanged with and not complete a timesheet for the shift worked. Again, a supervisor will approve the incorrect timesheet. We found this was the case in 40% of the timecards we tested at one correctional centre – timecards were completed as if the corrections worker was at work, approved by the supervisor, entered into the payroll system by the timekeeper, and then the corrections worker was paid for hours not really worked.

Therefore, the Ministry is approving and paying employees for hours not worked. This is not standard practice. Shift trades can create safety and management issues, as management cannot properly verify who is actually working until the shift occurs. We found instances when overtime was incurred when a worker traded a shift away – was still paid for it – and then accepted a shift later the same day and got paid overtime for it. Further, the use of shift trades may impact earned benefits such as the employees' pension and workers' compensation. Management advised us that it is currently renegotiating the Letters of Understanding.

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) establish processes to verify accurate data entry of hours worked into the payroll system before paying employees. (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)

Status – Implemented

Timekeepers at correctional centres are entering what is recorded on time cards completed by employees and approved by supervisors into the payroll system. We found timekeepers entered hours worked correctly except for the shift trades, as noted above.

3.3 Factors Influencing Labour Costs Being Identified

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) periodically analyze absenteeism patterns and regularly report to senior management the risk factors that influence labour costs in correctional centres. The analysis should include all types of absenteeism (e.g., use of sick leave, shift trades) and related overtime costs. (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)

Status – Implemented

In 2010, the Ministry began to implement an overtime reduction strategy to reduce the amount of overtime worked. The strategy identified controllable (i.e., employee training, recruitment, and sick leave) and uncontrollable (i.e., statutory holidays, the number of offenders in the facility, the number of offenders that require employee escorts to the hospital) factors that can impact overtime. The Ministry undertook strategies to address the controllable factors that included recruiting to ensure sufficient resources were in place to reduce the need to pay overtime, and establishing an attendance management policy to reduce the amount of sick leave.

Supervisors and management review periodic reports regarding sick leave hours and overtime costs by facility. Through the Ministry's financial forecasting processes, correctional centres outline the controllable and uncontrollable factors that impact their overtime costs.

3.4 Appropriate Supervision and Policies Now in Place

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) establish adequate supervisory roles and responsibilities so that supervisors take prompt action on excessive absenteeism and overtime in correctional centres. (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)

Status – Implemented

The Ministry went through a scope review which resulted in supervisory positions at the correctional centres moving from in-scope (union) positions to out-of-scope (management) positions in 2010. This created a management structure that allows supervisors to take prompt action on absenteeism issues arising with corrections workers they are supervising.

Overtime is an increased cost as a result of absenteeism. As previously noted, the Ministry implemented an Attendance Management Policy that outlines management and supervisor responsibilities for managing absenteeism. These responsibilities include maintaining concise and objective written documentation where absenteeism issues have been identified, monitoring levels of sick leave usage on a regular basis, taking appropriate and timely action to correct absenteeism issues, and discussing and resolving issues regarding attendance with corrections workers. We found that supervisors follow up with workers who have excessive sick leave.

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) implement an attendance management policy. (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)

Status – Implemented

The Ministry implemented an Attendance Management Policy. The Policy was developed to assist supervisors in managing employee attendance. The Ministry provided training and communicated expectations contained in the Policy to both supervisors and employees in 2011. Supervisors reinforce the Policy with corrections workers through an annual review process.

Chapter 28
Justice—Community Rehabilitation of Adult Offenders Follow Up

1.0 MAIN POINTS

We followed up the Ministry of Justice's (Ministry) actions on the seven recommendations we made in 2011 about rehabilitating adult offenders serving a community sentence. We had audited the delivery of the Ministry's processes in the Regina Qu'Appelle Region (Region) to rehabilitate adult offenders likely to repeat crimes, including serious violent crimes.

Following the audit, the Ministry worked with a consultant to help it determine how to meet our recommendations. The Ministry also reviewed processes in two of its other regions to help it assess the impact changes to its processes would have across the province.

We found the Ministry has made progress, but still has more work to do on all seven recommendations. The Ministry continues to work on consistently following its case management policies, including completion of timely risk assessments and integrated case plans,[1] having sufficient contact with offenders, and preparing regular progress reports for offenders. The Ministry needs to do more work to select and evaluate rehabilitation services provided by other agencies, monitor access to priority community rehabilitation programs, and evaluate the effectiveness of its rehabilitation programs.

2.0 INTRODUCTION

The Ministry of Justice (Ministry) carries out its corrections services under *The Correctional Services Act* and *The Correctional Services Administration, Discipline and Security Regulations, 2003*. The Ministry's mission states that the Ministry promotes safe and secure communities.[2] Its responsibilities include delivering programs for individuals in conflict with the law. The Ministry uses a variety of programs and services to rehabilitate offenders in correctional centres and in the community.

Effective May 25, 2012, the responsibilities of corrections and policing in Saskatchewan became part of the Ministry of Justice.

In 2011-12, the Ministry of Corrections, Public Safety and Policing spent approximately $14 million on adult community operations.[3] In 2013-14, the Ministry of Justice is budgeted to spend $34 millon on community corrections for youth and adult offenders.[4] The Ministry has seven regions.

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[1] A documented strategy for managing he offender throughout the court ordered disposition(s). Source: Ministry's Integrated Case Management Policy.

[2] Ministry of Justice Plan for 2013-14, p 3.

[3] Ministry of Corrections, Public Safety and Policing, *11-12 Annual Report*, p. 28.

[4] Ministry of Justice, *13-14 Estimates*, p 103.

3.0 COMMUNITY REHABILITATION OF ADULT OFFENDERS–FOLLOW UP

In 2011, we assessed the Ministry's processes to rehabilitate adult offenders in the community. Our *2011 Report – Volume 1,* Chapter 3, concluded that during 2010, the Ministry had adequate processes to rehabilitate adult offenders likely to repeat crimes (including serious or violent crimes) who were serving a community sentence in the Regina Qu'Appelle Region with the following exceptions:

- Policies were not consistently followed for the timely completion of risk assessments and integrated case management plans, for providing sufficient contact between high-risk adult offenders and probation officers or alternates, and for preparing of regular progress reports on adult offenders
- Management did not monitor whether high-risk adult offenders had timely access to priority community rehabilitation programs
- A policy was not in place to evaluate rehabilitation programs for high-risk adult offenders
- Criteria were not in place to select rehabilitation services provided by other agencies and to evaluate whether high-risk adult offenders benefit from these services

We made seven recommendations.

To conduct this review, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Management agreed with the criteria in the original audit. We based our findings on our examination of the Ministry's policies, procedures, and management reports.

4.0 STATUS OF RECOMMENDATIONS

This section sets out the recommendations and the Ministry's actions up to December 31, 2012.

4.1 Increasing Use of Relevant Rehabilitation Strategies

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) consistently follow its policy requiring risk assessments and case plans for adult offenders to be completed within six weeks of starting community sentences. (2011 Report – Volume 1)

Status – Not Implemented

The Ministry continues to struggle with completing timely risk assessments and case planning for adult offenders serving a community sentence. We found that the six-week requirement for completing risk assessments and case planning is not often met in the Region.

Since our 2011 audit, the Ministry has made some revisions to clarify its policies and completed its own reviews of its operations across the province to determine an overall strategy for meeting our recommendations and improving its community operations.

After the completion of our audit in 2011, the Ministry worked with a consultant to help determine how to meet our past recommendations and improve its community rehabilitation operations. The consultant's report highlighted that the Ministry has made significant progress towards evidenced-based practice. It also indicated that risk assessment and case planning are not occurring on a timely basis. It recommended improvements to the Ministry's rehabilitation processes, including areas such as setting clear direction for community operations, application of case management practices, human resources and training, supervision and quality assurance, working with provincial corrections institutions and partners, enhancing management information systems, and program evaluation. The Ministry is reviewing these recommendations to help it assess what changes it will make to its operations.

During 2012-13, the Ministry also completed its own reviews of offender files in two of its other regions. The Ministry's reviews found risk assessments and case plans often did not meet the Ministry's standards for timeliness, which is consistent with the results of our follow up work. However, the Ministry's work also showed that proper application of its rehabilitation practices leads to positive outcomes such as reduced recidivism rates (i.e., rate than an offender repeats crimes). The Ministry's reviews found that one of the other two regions reviewed followed many of the Ministry's evidence-based rehabilitation practices. This region also had lower recidivism rates than the other region reviewed and the provincial average, which provides some evidence to support the Ministry's overall strategy for rehabilitation.

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) consistently follow its policy to use integrated case plans for adult offenders that coordinate rehabilitation strategies between the community and provincial correctional centres. (2011 Report – Volume 1)

Status – Not Implemented

The Region continues to use different case plans than the provincial correctional centres. Case plans to be used for community rehabilitation sentences are developed at the start of the community sentences. As a result, integrated case plans are not used to coordinate rehabilitation strategies between the community and the provincial correctional centres. The consultant's report also made recommendations about the need to better coordinate the efforts of community and provincial correctional centres. The Ministry advised us that it is developing a standard format for case plans that will be used in both provincial correctional centres and the community to facilitate integrated case planning.

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) consistently follow its supervision policy for high-risk adult offenders in the community to have required contacts with probation officers or alternates. (2011 Report – Volume 1)

Status – Not Implemented

Supervisors and management monitor the amount of contact between the probation officers and offenders. The amount of contact was not sufficient to meet the Ministry's supervision policy. This was consistent with the Ministry's reviews of files at two other regions this year. The consultant's report also made recommendations about adequate contact with offenders.

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) use criteria to select rehabilitation services provided by other agencies and evaluate if high-risk adult offenders in the community benefit from these services. (2011 Report – Volume 1)

Status – Not Implemented

The Ministry has not developed a policy or other guidance for selecting or evaluating rehabilitation services provided by other agencies. The Ministry also has not performed evaluations to determine if high-risk adult offenders in the community benefit from these services. The consultant's report made several recommendations around program evaluation and working with partners.

4.2 Working to Deliver Rehabilitation at the Right Time

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) monitor whether high-risk adult offenders have timely access to priority community rehabilitation programs. (2011 Report – Volume 1)

Status – Not Implemented

The Ministry does not monitor whether high-risk adult offenders have timely access to priority community rehabilitation programs. The Ministry continues to monitor the number of offenders who complete a program. It did not analyze the capacity of the program compared to the need for the program to determine if additional programming is required to meet offender needs. The consultant's report also indicated a need to develop sufficient program capacity including working with partners. The Ministry is working to create reports that will assist decision-making using information collected in an automated tracking system.

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) consistently follow its case management policy to prepare regular progress reports on adult offenders in the community. (2011 Report – Volume 1)

Status – Not Implemented

We found progress reports were not always completed as frequently as required by the Ministry's policies. This is consistent with the Ministry's review in two other regions. The consultant's report recommended reassessments of risk should be completed whenever there is a significant change in the offender's circumstances. Such reassessments should then be used to update the offender's progress and rehabilitation plan by completing progress reports.

We recommended that the Ministry of Justice (formerly the Ministry of Corrections, Public Safety and Policing) establish a policy to evaluate rehabilitation programs for high-risk adult offenders in the community. (2011 Report – Volume 1)

Status – Not Implemented

The Ministry continued to review programs prior to adoption. The Ministry did not have a process to carry out further program evaluations once they were adopted (i.e., periodic revalidation). As described in **Section 4.1**, the Ministry's review of files in one region found lower recidivism rates than in the rest of the province, supporting effectiveness of the Ministry's strategies and programs. While this is positive feedback for the Ministry, further work is needed to assess the effectiveness of individual programs. The consultant's report included recommendations to improve program evaluation and certain programs.

Chapter 29
Saskatchewan Telecommunications—Wireless Network Security Follow Up

1.0 MAIN POINTS

We audited Saskatchewan Telecommunication's (SaskTel) wireless network security controls in 2009 and made seven recommendations. We reported our first follow-up of this audit in 2011. This chapter reports our second follow-up, which is of management's actions on our recommendations to March 31, 2013. We found that SaskTel has implemented six of our seven recommendations relating to wireless training, setting roles and responsibilities, configuring equipment, assessing risks, maintaining an inventory of devices, and logging activity. It still needs to perform regular wireless security scans and address related issues.

2.0 INTRODUCTION

In 2009, we audited processes SaskTel used for wireless network security controls. We reported the results of our audit in our *2009 Report – Volume 1*, Chapter 13. We concluded that SaskTel did not have adequate wireless network security controls at its head office and the Regina data centre for the period from August 1, 2008 to January 31, 2009 and made seven recommendations.

In 2011, we examined SaskTel's actions on our recommendations from the audit. At that time, we found that SaskTel had many actions planned or underway to respond to these recommendations. We reported that follow-up in our *2011 Report – Volume 1*, Chapter 16.

In March 2013, we again examined SaskTel's actions on the recommendations. To conduct this review, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate SaskTel's progress towards meeting our recommendations, we used the relevant criteria from the original audit. SaskTel's management agreed with the criteria in the original audit. This chapter describes the results of our follow-up of management's actions to March 31, 2013.

3.0 BACKGROUND

SaskTel makes extensive use of information technology. This includes computers and networks, including a large, system-wide network that provides most of SaskTel's personnel with access to email and significant amounts of information stored on network servers.

Networks that include wireless access involve additional security risks compared with networks that do not have wireless access. Wireless access is available in many locations in SaskTel. Because wireless information is usually transmitted via radio waves and is potentially available to those within range of the signal, there is greater risk of unauthorized access. This risk can be reduced, but it requires careful network and device implementation (for example, using an appropriate design, requiring appropriate encryption, and keeping hardware and software up-to-date).

SaskTel provides wireless access in many locations. In addition, many computers used by SaskTel have wireless capability. SaskTel must ensure that its wireless infrastructure provides mobile computing without compromising the confidentiality, integrity, or availability of sensitive and critical corporate information. Because of the risks associated with wireless networking, SaskTel must effectively manage and monitor its wireless resources so that only approved and secure wireless activities take place.

4.0 STATUS OF RECOMMENDATIONS

This section sets out our recommendations and SaskTel's actions up to March 31, 2013. We found that SaskTel has adequately implemented six of the outstanding seven recommendations.

4.1 Employees Trained to Use Wireless Devices Securely

We recommended that SaskTel train employees to use wireless devices securely. (2009 Report – Volume 1)

Status – Implemented

SaskTel has provided employees with information regarding the use of wireless devices and has posted this information on its corporate Intranet. SaskTel has also added wireless information to a mandatory security training program that it provides to all SaskTel employees, contractors, and subsidiaries. SaskTel has also taken steps to make staff aware of the need to use wireless devices securely and it continues to update its staff using an ongoing security awareness program that covers wireless security topics.

4.2 Wireless Roles and Responsibilities Included in Information Security Policies and Procedures

We recommended that SaskTel describe wireless roles and responsibilities in its information security policies and procedures. (2009 Report – Volume 1)

Status – Implemented

SaskTel has now developed and approved policies that describe roles and responsibilities relating to wireless.

4.3 Configured Wireless Network and Network Devices to Reduce Information Technology Security Risks

We recommended that SaskTel properly configure its wireless network and network devices to reduce information technology security risks. (2009 Report – Volume 1)

Status – Implemented

SaskTel has improved how it configures its wireless network and wireless devices to increase security. IT administrators now use encryption to communicate with devices over the network. SaskTel has also installed an intrusion prevention system to help identify suspicious activity on the network. In addition to this, SaskTel has implemented a technology that prevents employees from connecting to wireless networks while being connected to the corporate network.

4.4 Wireless Risks Assessed and Addressed

We recommended that SaskTel assess wireless risks and address them. (2009 Report – Volume 1)

Status – Implemented

SaskTel assessed risks relating to wireless in order to develop related policies and procedures. SaskTel developed a classification strategy to help determine what corporate wireless devices it should authorize for use on the network. SaskTel also implemented a wireless intrusion prevention system. SaskTel based these steps on its assessment of wireless risks.

4.5 Inventory Maintained of Wireless Devices on Network and their Users

We recommended that SaskTel maintain an inventory of wireless devices on its network and their users. (2009 Report – Volume 1)

Status – Implemented

SaskTel currently maintains an inventory of wireless devices that connect to the wireless network. SaskTel uses software to manage the wireless devices authorized to access its wireless network. This software is monitored regularly by SaskTel staff.

4.6 Wireless Activity Logs Adequately Monitored

We recommended that SaskTel adequately monitor wireless activity logs. (2009 Report – Volume 1)

Status – Implemented

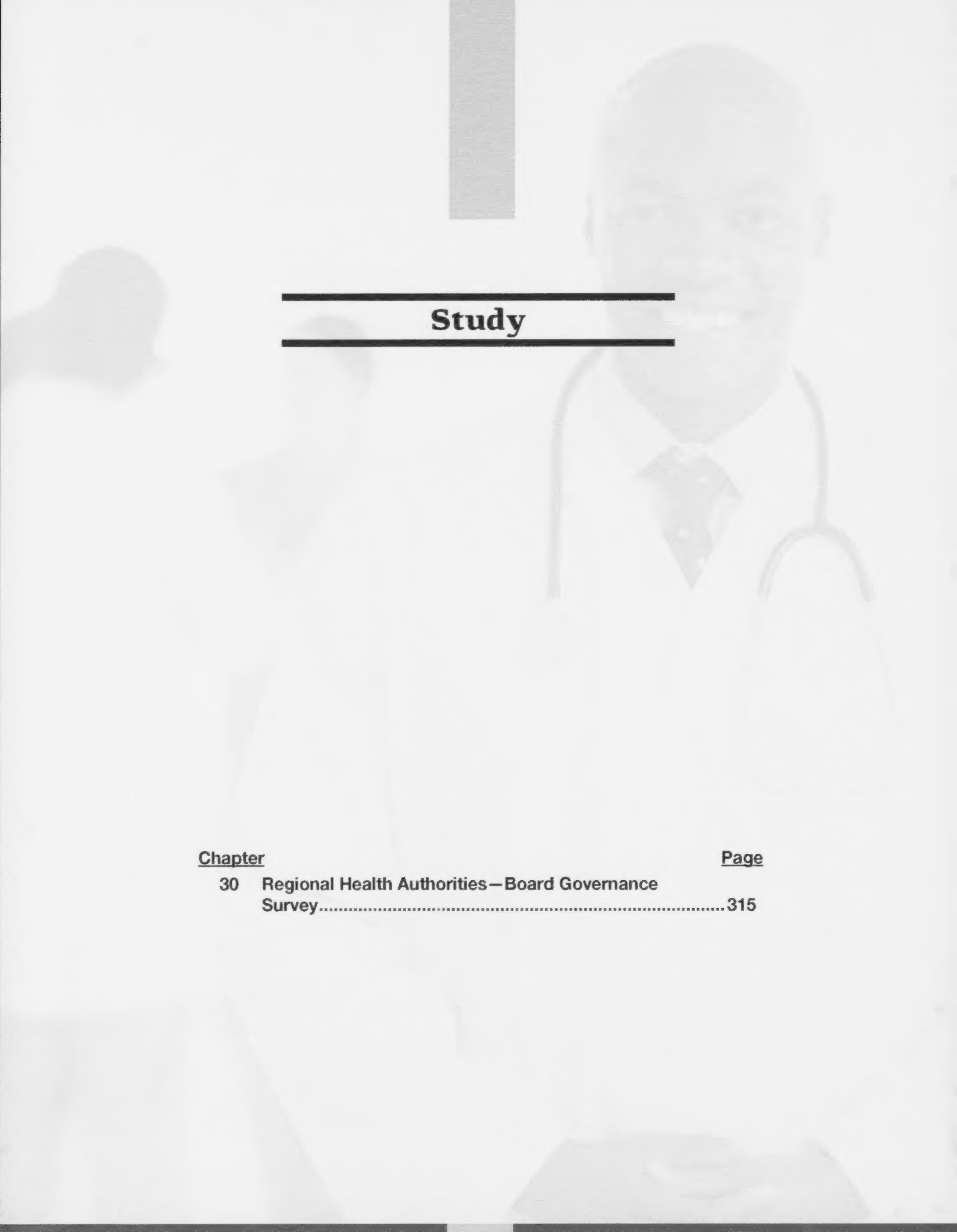
SaskTel has implemented a wireless intrusion prevention system that staff use to monitor wireless activity and ensure that only authorized users have access to SaskTel's wireless network. SaskTel has adequate monitoring capabilities and processes for the type of wireless access they provide to staff. Management advised that proactive monitoring will remain part of SaskTel's strategy. SaskTel also collects activity logs and stores them centrally. SaskTel has plans to replace its wireless architecture.

4.7 Need to Regularly Perform Wireless Security Scans and Address Weaknesses Found

We recommended that SaskTel regularly perform wireless security scans and address weaknesses found. (2009 Report – Volume 1)

Status – Not Implemented

SaskTel performed ad hoc wireless security scans to identify inappropriate wireless activity. It did not carry these out on a regular basis. SaskTel should also perform site surveys to ensure that it has established and measured appropriate coverage and range for the wireless network.



Study

Chapter Page

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Chapter 30
Regional Health Authorities—Board Governance Survey

1.0 MAIN POINTS

We surveyed board members and selected executives of regional health authorities (RHAs) to gain an understanding of the state of board governance in health regions, to identify issues as perceived by board members and senior management, and to identify opportunities to improve governance practices. This chapter presents selected results from the survey. The full report is available at www.auditor.sk.ca.

The survey gathered board member and executive views in the areas of:

- Board Purpose
- Board Membership
- Board Culture
- Education, Training, and Evaluations
- External Relationships
- Accountability
- Board Structure
- Information for Decision Making
- Internal Relationships

The survey results provide interesting and important insights into a range of governance areas. The results show that the views of board members and executives are sometimes surprisingly far apart. The results also indicate that views of board members and executives can differ depending on whether the RHA is urban, urban/rural, or northern (these differences are explored in the full report).

We encourage RHA board members to consider the survey results and discuss the results within their own board and with their executives. We also encourage RHAs to use the survey results as a resource for constructive dialogue with the Ministry of Health. The Ministry and RHAs could also consider how the survey results could be used to enhance governance training. We hope this chapter and the full report will offer insight into promoting effective governance in the health sector.

2.0 INTRODUCTION

This chapter presents selected findings of a governance survey we conducted of twelve regional health authorities (RHAs) and the Athabasca Health Authority. Effective governance is of particular importance for RHAs due to the high value that people place on the healthcare system, the challenges in service delivery stemming from an aging population and limited resources, and the large budgets of RHAs (collectively $2.9 billion in 2012-2013[1]).

Our survey was not an audit or evaluation of RHA boards; it was intended to increase awareness of current governance practices of these boards. In particular, the purpose of our study was to:

- Gain an understanding of the state of RHA governance

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[1] Saskatchewan Ministry of Health. (2012). *Plan for 2012-13*.

- Identify issues as perceived by board members and senior management
- Raise awareness of governance issues and best practices
- Enable board members and senior management to assess their governance practices against best practices
- Identify opportunities for improvement of governance practices

3.0 BACKGROUND

Regional health authorities in Saskatchewan are responsible for the planning, organization, delivery and evaluation of health services. RHAs are accountable to the Ministry of Health for fulfilling their roles and responsibilities. A board governs each RHA, with membership currently ranging from eight to eleven members appointed by Cabinet.

While included in our survey, the Athabasca Health Authority was not created by *The Regional Health Services Act*.[2] The Athabasca Health Authority was included in this survey because of similarities in its mandate, governance structure, roles and responsibilities, and accountability to the provincial government.

RHAs in Saskatchewan face different challenges depending on their location. To provide insight into these challenges and with input from the Ministry of Health, in the full report, we divide RHAs into three types: urban, urban/rural, and northern (see **Figure 1**). In this chapter, the survey results combine responses from all board members.

Figure 1—Regional Health Authority Information

Regional Health Authority	Grouping	Covered Population Served[3] (2012)	Annual Budget from Ministry of Health (2012-2013) In thousands
Cypress	Urban/Rural	43,982	$ 108,536
Five Hills	Urban/Rural	54,994	$ 131,573
Heartland	Urban/Rural	43,626	$ 81,947
Keewatin Yatthe	Northern	12,001	$ 24,644
Kelsey Trail	Urban/Rural	41,902	$ 103,570
Mamawetan Churchill River	Northern	23,833	$ 25,431
Prairie North	Urban/Rural	78,072	$ 190,746
Prince Albert Parkland	Urban/Rural	79,926	$ 187,514
Regina Qu'Appelle[4]	Urban	271,503	$ 823,011
Saskatoon[5]	Urban	323,938	$ 921,990

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[2] Athabasca Health Authority is a membership corporation, established under *The Non-profit Corporations Act, 1995*, and is jointly funded by the provincial and federal governments. Five groups comprise the membership: the Black Lake Denesuline First Nation, the Fond du Lac Denesuline First Nation, the Northern Hamlet of Stony Rapids, Uranium City, and Camsell Portage. These five members appoint directors to serve on the Athabasca Health Authority Board.

[3] Covered population is based on eligibility for health insurance benefits in Saskatchewan.

[4] While Regina Qu'Appelle and Saskatoon are classified as urban for the purposes of this chapter, they also serve significant town and rural populations.

[5] Ibid.

Regional Health Authority	Grouping	Covered Population Served[5] (2012)	Annual Budget from Ministry of Health (2012-2013) In thousands
Sun Country	Urban/Rural	56,890	$ 122,807
Sunrise	Urban/Rural	57,678	$ 179,888
Athabasca	Northern	2,608	$ 6,425
TOTAL		1,090,953[6]	$ 2,908,082

Population source: Saskatchewan Ministry of Health, Covered Population, 2012
Annual Budget source: Saskatchewan Ministry of Finance, Provincial Budget Estimates, 2012-13

4.0 METHODOLOGY

Two surveys were developed by our office. One survey was designed for current and recent past board members, while the other was designed for executives of each RHA who work closely with the board: the Chief Executive Officer (CEO) and the Chief Financial Officer.

The survey took place over November and December 2012. Surveys were completed by respondents and reflect their opinions and experiences serving as board members and executives.

In total, 191 surveys were distributed and 132 were completed, giving an overall response rate of 69%. 80% of current board member surveys, 39% of former board member surveys, and 65% of executive surveys were returned.

For most questions, respondents were asked to rank how strongly they identified with different statements regarding board governance using a scale of 1 to 5 with values as follows: 1 = strongly disagree; 2 = disagree; 3 = neutral/neither; 4 = agree; 5 = strongly agree. For the purposes of this report, we grouped responses 1 and 2 together as "disagree" and grouped responses 4 and 5 together as "agree."

The practices reflected in our questions were developed from governance literature, the work of the Ministry of Health, and the work of other legislative audit offices. In particular, we referenced governance studies developed by the Office of the Auditor General of Manitoba.

5.0 SELECTED RESULTS

The Ministry of Health's *Guide to Corporate Governance* (Board Governance Toolkit) describes governance as "stewardship where the governing body guides the strategic direction of the organization" (p. 3.1). This section of the report is organized around the nine governance attributes outlined in **Figure 2**.

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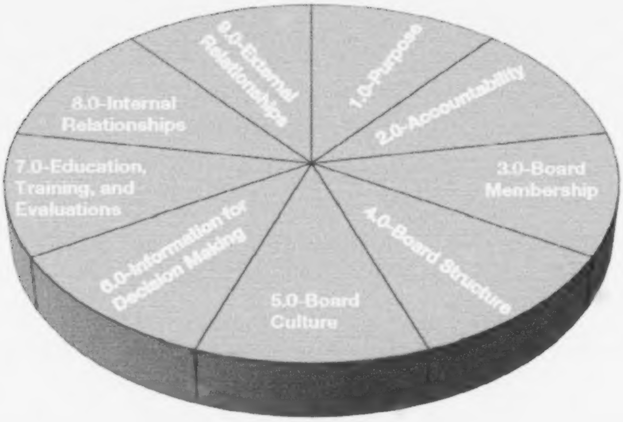
[6] The Ministry of Health publication "Covered Population 2012, Notice to Readers" notes that "The Covered Population figures have been closest to Statistics Canada population estimates in the years following a health card renewal…The next health card renewal year will be 2014."

Within these broader attributes, we present a more detailed breakdown of topics with selected survey results.

Figure 2—Nine Attributes of Governance


9.0-External Relationships
1.0-Purpose
2.0-Accountability
3.0-Board Membership
4.0-Board Structure
5.0-Board Culture
6.0-Information for Decision Making
7.0-Education, Training, and Evaluations
8.0-Internal Relationships

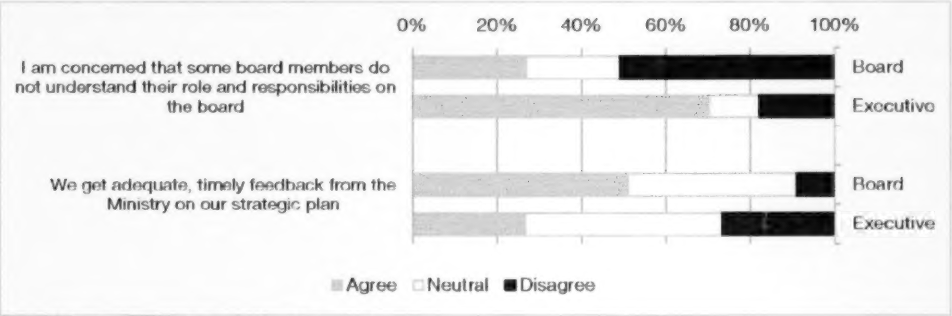
Source: Adapted from the Office of the Auditor General of Manitoba.

1.0 Purpose

The purpose of RHA boards in Saskatchewan is to make decisions regarding the planning, organization, delivery, and evaluation of health services. It is important that board members understand the role of the RHA board, and their individual responsibilities as board members. Using this knowledge of their role and responsibilities, board members should establish the vision and mission, as well as directions, key expectations, and performance measures for their RHA.

Given the importance of strategic planning, it is important that boards are active in providing input to the Ministry for the Ministry's setting of the overall strategic direction of the health system. Boards should identify specific performance goals and objectives they expect their RHAs to achieve in fulfilling their responsibilities. When making decisions, boards should then refer to their plans to determine whether their decisions are working towards their region's priorities and the Ministry's strategic direction. As well, it is important that boards receive adequate and timely feedback from the Ministry on their plans.

Figure 3—Board Mandate and Strategic Direction



Source: Provincial Auditor Saskatchewan (2013)

1.1 Role, Mandate, and Values

We noted that most board members and executives have a positive outlook on the role and mandate of their RHA board. However, the survey found that over two-thirds of executives are concerned about the understanding of board members with respect to their role and responsibilities.

1.2 Strategic Direction

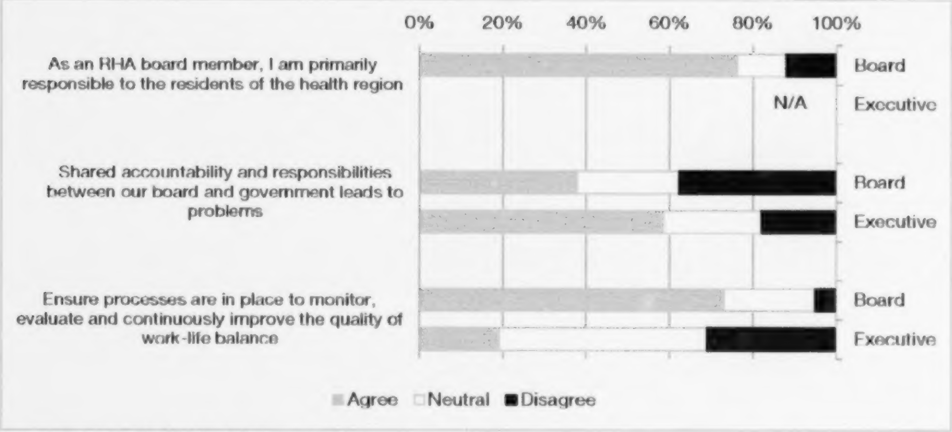
In general, board members had a more positive view than executives of their RHA's use of strategic planning. The survey found that only one-half of board members and less than one-third of executives believe the Ministry gives adequate and timely feedback on their strategic plan. It should be noted that the Ministry of Health is responsible for setting the strategic direction of the health system and that RHAs are expected to align their plans with the Ministry's strategic goals and objectives. The findings merit further analysis and discussion between the Ministry and the RHAs.

2.0 Accountability

To fulfill the role of RHAs in delivering health services, it is important that board members are clear on their accountability relationships—what they are accountable for and to whom. While RHAs are responsible for identifying local health needs, their primary responsibility is to the Minister of Health. For this relationship to be effective, boards must be clear on their responsibilities to the Minister and ensure these are fulfilled. As well, it is important that boards are given adequate authority, within the parameters set by the law and the Minister, to effectively govern RHAs and that they are clear on how the Ministry monitors RHA performance.

RHA boards must also ensure effective practices are in place to manage and monitor health care priorities for which they are accountable, such as assessing and reporting on the RHAs performance in addressing the health needs of its population and ensuring the privacy of health information.

Figure 4—Accountability



Source: Provincial Auditor Saskatchewan (2013)

2.1 Understanding Accountability

Interestingly, most board members did not perceive their primary accountability to be to the Minister. Rather, most board members were of the view that they are primarily responsible to the residents of the health region.

2.2 Accountability Relationship with Ministry

The Ministry of Health, working with RHA boards, has done considerable work to clarify the accountability roles and responsibilities of RHA boards and the Ministry. Most board members and executives say that accountability and reporting obligations to the Minister and/or Ministry are clear. Despite this, over one-third of board members and over one-half of executives agree that shared accountability and responsibilities between boards and the Government leads to problems.

2.3 Meeting Accountability Requirements

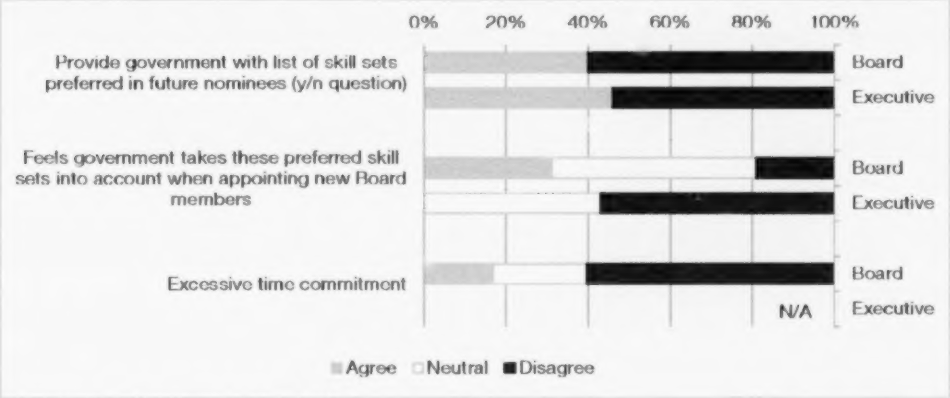
We noted that, in general, board members had a more positive view than executives with respect to their board's work in meeting accountability requirements. The biggest difference was noted in satisfaction that their board ensures processes are in place to monitor, evaluate and continuously improve the quality of work-life: about three-quarters of board members, but only one-fifth of executives were satisfied.

3.0 Membership

Attributes of individual board members, the appointment process, and the commitment of board members strongly influence how well boards are able to carry out their duties. Boards need to have an effective renewal period, maintaining a balance between the fresh perspectives that new members bring and the knowledge and familiarity of longer-serving members.

To maintain a positive board culture, it is important that members are committed to their role as board members, do not find the time commitment to be excessive, feel satisfied with what they accomplish, and work with equally-committed board colleagues.

Figure 5—Board Membership



Source: Provincial Auditor Saskatchewan (2013)

3.1 Board Composition

Board members and executives identified representation of community values/ethics, leadership skills, and representation of community demographics and diversity as the most important skills and characteristics for board members to possess. Leadership skills and financial expertise were identified by board members and executives as the largest gaps between their importance and their current representation on boards. Our full report (at www.auditor.sk.ca) outlines these views of board members and executives.

3.2 Board Renewal and Appointment

Although board members and executives identified shortages in some skills on their board, less than one-half of board members and executives agree that their board identifies these skills and provides the Government with a list of these skill sets preferred in future members. About one-fifth of board members and more than half of executives think the Government does not take these identified skills into account when appointing new board members.

3.3 Board Member Commitment and Satisfaction

Although most board members and executives agree the time commitment to be an RHA board member has increased substantially in the past few years, less than one-fifth of board members think the time commitment to be a board member is excessive.

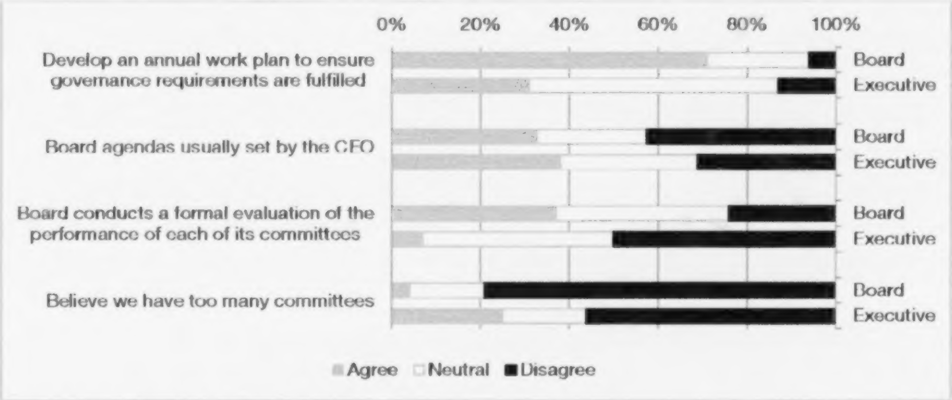
4.0 Structure

Board structure is the framework within which board governance takes place. Board practices, such as the number of meetings per year and conflict-of-interest policies, agenda setting, and committee organization and influence shape board structure. Annual work plans, for example, help boards focus on meeting their governance requirements and responsibilities.

The Chairperson is responsible for setting the board's meeting agenda, and he or she should work with management in performing this task. It is important that board members do not play a passive role, and that they have the opportunity to contribute.

The mandate and authority of each committee should be clearly articulated and periodically reviewed so that the work of committees can remained focused. An annual evaluation of the performance of each committee can help ensure the effective functioning of committees.

Figure 6—Board Structure



Source: Provincial Auditor Saskatchewan (2013)

4.1 Board Practices

Board members and executives had overall positive responses with respect to board practices. However, we found that while most board members think their board develops an annual work plan to ensure governance requirements are fulfilled, less than one-third of executives agree.

4.2 Agenda Setting

Although the responsibility of the board chair, over one-third of board members and executives agree that their board's agendas are usually set by the CEO.

4.3 Committees

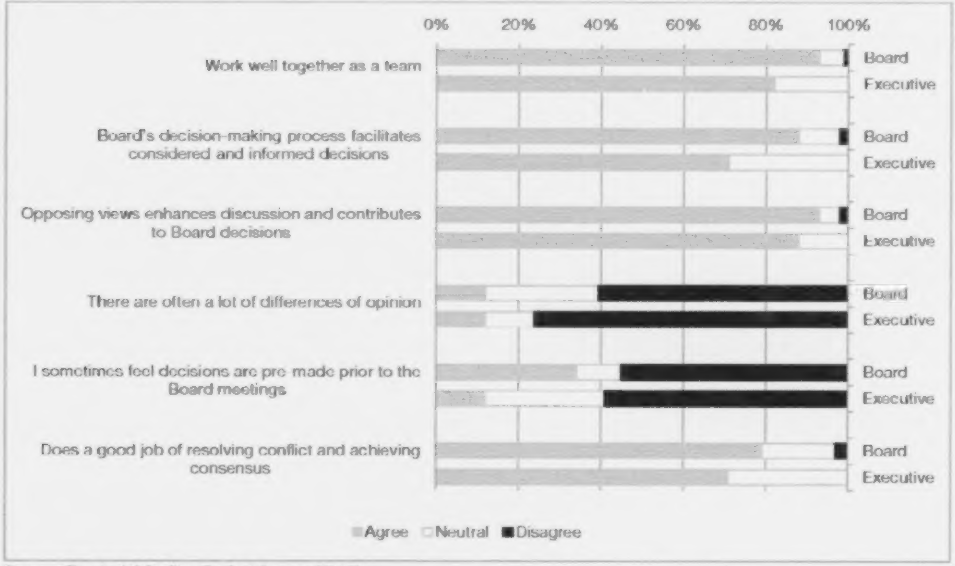
We received a mixture of responses from board members and executives with respect to the use of committees. For example, just over one-third of board members and less than 10% of executives agree their board conducts a formal evaluation of the performance of each of its committees. While only 4% of board members think their board has too many committees, one-quarter of executives believe this is the case.

5.0 Board Culture

Board culture is affected by, and has a strong influence on, board member participation, debate, and ultimately, decision making. Boards should foster a culture of participation and diversity of opinion. Board members should not feel constrained or reluctant to ask questions or participate in discussions. Differences of opinion and opposing viewpoints should be expressed to permit the board to come to informed decisions. Boards must also ensure they are comfortable evaluating management's suggested solutions and alternatives, and ensure they do not merely rubberstamp decisions.

A capable chairperson is necessary to facilitate board meetings and ensure the business of the board is being appropriately conducted. The chairperson plays a key role in maintaining positive team dynamics, managing conflict on the board, and ensuring that all board members participate in productive discussions and debates.

Figure 7—Board Culture



Source: Provincial Auditor Saskatchewan (2013)

5.1 Board Member Participation

We found that overall, board members and executives believe that board member participation on their board is strong. For example, most board members and executives agree that their board works well together as a team.

5.2 Board Debate and Decision Making

Board members and executives appear to have a positive view of their board's debate and decision-making processes. For example, most board members and executives agree their board's decision-making process facilitates considered and informed decisions. While most board members and executives believe that opposing views enhance discussion and contribute to decisions, few say that there are often a lot of differences of opinion on their board.

5.3 Board Decision Making and Management

Board members and executives generally had a positive view of management's role in decision making. However, we found that close to one-third of board members feel that sometimes decisions are pre-made prior to board meetings.

5.4 Chairperson

We found that most board members and executives believe their board chairperson is effective in their role. For example, most board members and executives agree their chairperson does a good job of resolving conflict and achieving consensus on their board.

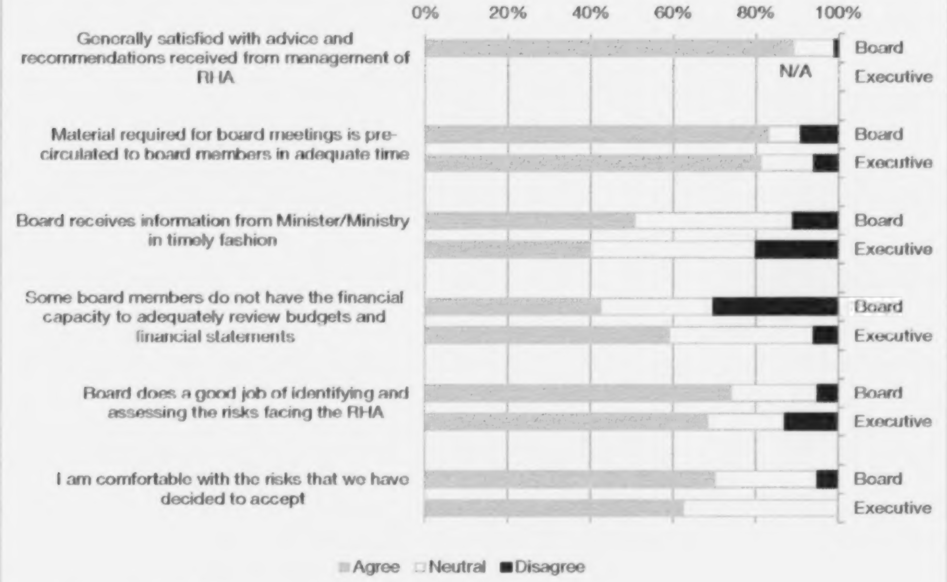
6.0 Information for Decision Making

Board decisions are based on different types of information; thus, it is important that boards identify the information necessary to make well-informed decisions. Information provided to boards should enable board members to make well-informed governance decisions and allow them to monitor the performance of their RHA. Information provided to boards should be timely, clear, and relevant.

Adequate monitoring of an RHA's performance involves analysis of financial information. Because of this, management needs to provide boards with appropriate financial information. Because financial expertise varies, management must ensure that it clearly explains the financial information presented to boards.

Boards should regularly include issues related to risk management on agendas and specify the scope and frequency of risk reports to be received from management. Boards should ensure they are clear about the risks they have decided to accept.

Figure 8—Information for Decision Making



Source: Provincial Auditor Saskatchewan (2013)

6.1 Information Needs

The majority of board members indicate they are satisfied with the advice and recommendations that they receive from management.

6.2 Timing and Delivery of Information

Most board members and executives are satisfied that material required for board meetings is pre-circulated to board members in adequate time. However, only one-half of board members and 40% of executives agree that the board receives information from the Minister and/or Ministry in a timely fashion.

6.3 Information Content

As discussed in our full report, the majority of board members are satisfied with the information they receive. When given a list of information attributes, board members agreed strongly that the information they receive contains an appropriate level of detail and monitors performance and progress against plan. See our full report (at www.auditor.sk.ca) for more detail about board member and executive satisfaction with information content.

6.4 Financial Information

Board members and executives agree that boards are provided with sufficient financial reporting from management and that budgets and financial statements are appropriately explained to board members. However, over one-third of board members and just under two-thirds of executives agree that some board members do not have the financial capacity to adequately review budgets and financial statements.

6.5 Risk Management

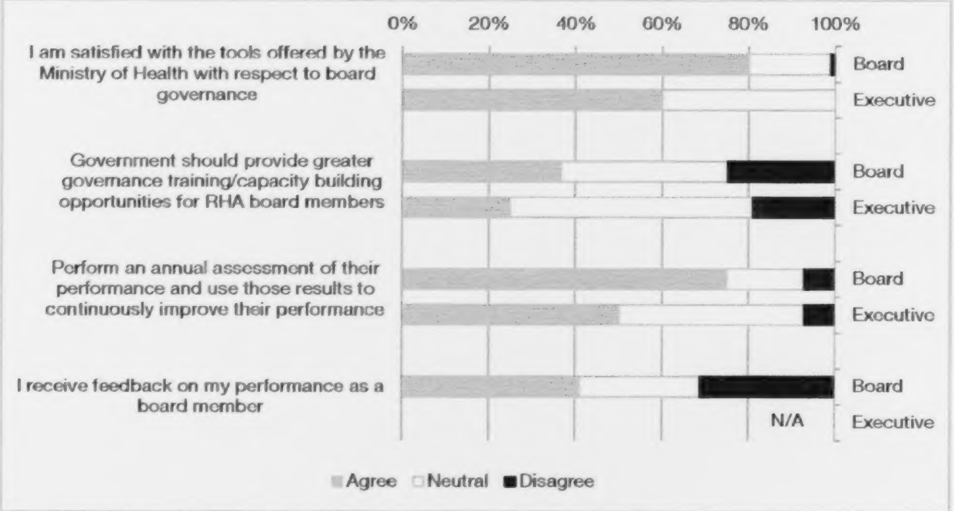
The majority of board members and executives agree that boards do a good job of identifying and assessing risks facing RHAs. As well, they agree that they are comfortable with the risks boards have decided to accept.

7.0 Education, Training, and Evaluations

The provision of education and training to board members can be an invaluable way to increase the effectiveness of RHA boards. Education and training not only increase board member knowledge, but promote a common understanding of the goals and work of their organization and the sector.

Boards should conduct regular assessments of their performance and use these results to improve their performance. Individual board members should also receive feedback on their performance to enhance the overall functioning and capacity of the board to govern.

Figure 9—Education, Training, and Evaluations



Source: Provincial Auditor Saskatchewan (2013)

7.1 Board Education and Training

Most board members and executives are satisfied with tools offered by the Ministry with respect to board governance. Despite this satisfaction, over one-third of board members and one-quarter of executives agree that the Government should provide greater governance training/capacity building opportunities for RHA board members.

7.2 Board Evaluations

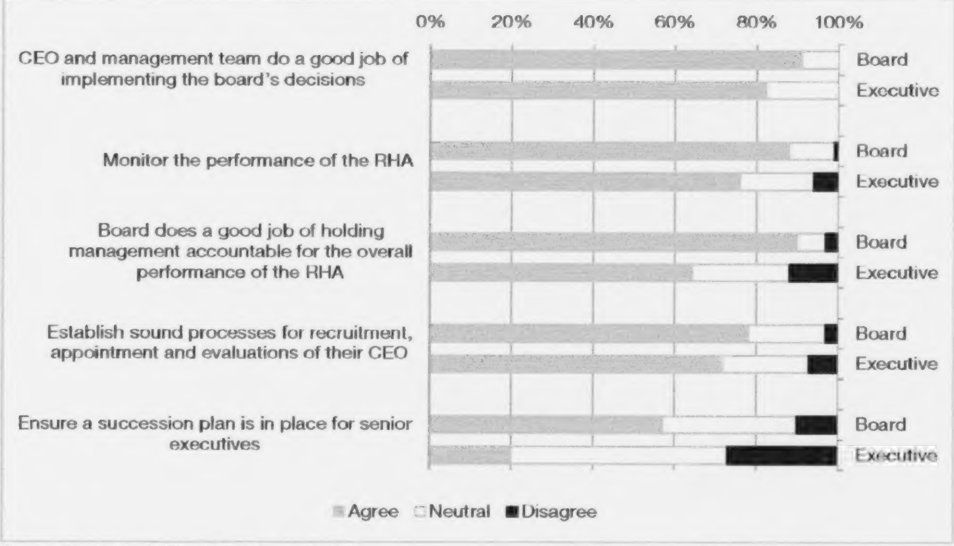
Although three-quarters of board members report their board performs an annual assessment of its performance and uses those results to continuously improve its performance, only one-half of executives agree. As well, less than one-half of board members agree they receive feedback on their individual performance as a board member.

8.0 Internal Relationships

RHA boards work together with senior management to deliver health care. Because of this, it is important that they have a positive working relationship. Board members and executives must share a common view of the RHA's priorities and clearly delineate their separate roles and authorities. Management must ensure they advise the board about issues or challenges facing the RHA, so that board members can make informed decisions. Board members, meanwhile, must ensure they focus on issues of governance and not become involved in day-to-day management decisions.

As part of their responsibilities, boards are also responsible for evaluating senior management, ensuring there is a succession plan in place for senior executives, and establishing sound processes for the recruitment, appointment, and evaluation of the CEO. It is also important that boards establish clear, measurable expectations for their CEO and perform annual performance evaluations. Boards must also take or require action if the CEO or RHA is not meeting board expectations.

Figure 10—Internal Relationships



Source: Provincial Auditor Saskatchewan (2013)

8.1 Relationship with Senior Management

Overall, board members and executives indicate that they enjoy a positive working relationship. For example, most board members and executives agree that the CEO and management team do a good job of implementing board decisions.

8.2 Management Performance Evaluation

Most board members and executives also responded positively around the area of management performance evaluation. Most board members and executives are confident their board monitors the performance of the RHA. While a large majority of board members feel that their board does a good job of holding management accountable for the performance of the RHA, only two-thirds of executives agree.

8.3 CEO Appointment and Compensation

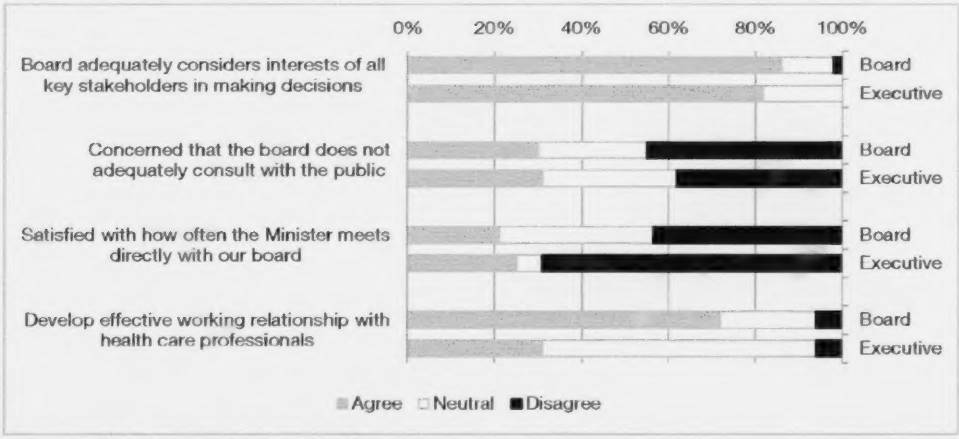
Most board members and executives are satisfied with the processes that their board has established for the recruitment, appointment, and evaluation of the CEO. However, less than two-thirds of board members and only one fifth of executives are satisfied with their board's work in ensuring a succession plan is in place for senior executives.

9.0 External Relationships

Although ultimately accountable to the Government, it is important that boards consider the interests of all key stakeholders. As well, boards should be proactive in trying to assist the Minister and the Ministry in understanding the issues faced by their RHAs.

Due to the rising costs of the health care system and the challenges of meeting changing needs and priorities, it is important for boards to work with other organizations and RHAs to improve the effectiveness of health programs and delivery, and to reduce costs. RHA boards should also develop effective working relationships with health care professionals.

Figure 11 – External Relationships



Source: Provincial Auditor Saskatchewan (2013)

9.1 Relationship with Public

While most board members and executives think they adequately consider the interests of all key stakeholders in making decisions, about one-third of board members and executives are concerned that their board does not adequately consult with the public.

9.2 Relationships with Ministry and Provincial Government

We noted that it appears there is room for improvement in the relationship between RHA boards and the Ministry of Health. For example, only about one fifth of board members and one-quarter of executives reported being satisfied with how often the Minister of Health meets with their board.

9.3 Relationships within Health Care Field

Although almost three-quarters board members indicate they are satisfied with their board's work in developing effective working relationships with health care professionals, less than one-third of executives indicate they are satisfied.

6.0 SELECTED REFERENCES

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Chapter 31
Standing Committee on Crown and Central Agencies

1.0 MAIN POINTS

Through its work and recommendations, the Standing Committee on Crown and Central Agencies (Committee) helps the Legislative Assembly hold the Government accountable for its management of the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiaries. The Committee does this through its review of the annual reports of agencies within its subject area. However, at May 3, 2013, the Committee's complete review of these annual reports for the years 2008, 2009, 2010, and 2011 remains outstanding.

The Committee asks our Office to assess and report on the status of the recommendations it makes as a result of our audit work. The Government has implemented almost all of the Committee's recommendations arising from the work of our Office for reports that were addressed by the Committee. At March 31, 2013, the Committee had four recommendations outstanding.

The Committee did not meet to consider any of our reports during 2012-13. There are many chapters from our various reports regarding CIC and its subsidiaries that remain outstanding and have not been reviewed by the Committee. Chapters that remain outstanding date back to 2007.

2.0 INTRODUCTION

This chapter provides an overview of the role and responsibilities of the Standing Committee on Crown and Central Agencies (Committee). Also, it describes the overall status of the Committee's recommendations resulting from the work of our Office.

2.1 Overview of Committee's Role and Responsibilities

The Committee is one of the Legislative Assembly's four policy field committees. The Assembly has made policy field committees responsible for examining certain documents within their assigned subject area. These documents include bills and regulations (proposed laws), annual budget estimates, and annual reports. During their reviews, these committees can inquire about issues of current concern, future objectives, and past performance.

These committees can also conduct inquiries into matters within their mandated subject area. They provide the Assembly with reports on their activities and can make recommendations to the Assembly for its consideration.

Meetings of policy field committees are open to the public. The Assembly's website[1] contains information about the composition of the committees and records of their meetings (i.e., Hansard verbatim, minutes, videos, and reports).

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[1] www.legassembly.sk.ca/legislative-business/legislative-committees. (12 April 2013).

2.2 Responsibilities Specific to the Committee

The Committee's subject area is Crown Investments Corporation of Saskatchewan (CIC) and its subsidiary corporations, supply and services (e.g., Ministry of Central Services), central government agencies (e.g., Ministry of Finance), liquor, gaming, and all other revenue-related agencies and entities.

The Assembly has given the Committee the following additional responsibilities:

- The Assembly requires the Minister responsible for CIC to notify the Committee, in writing, about significant transactions[2] of CIC or any of its subsidiaries within 90 days of when the transaction occurred. The notification must outline the objectives of the transaction, the financial implications, a statement of any changed liabilities, and the authority under which such a transaction was made.[3]
- The Assembly refers portions of our reports related to CIC and its subsidiaries to the Committee.[4] When the Committee reviews our reports, our Office and the corporation's appointed auditor, if any, attend to help the Committee with its review.

2.3 The Members of the Standing Committee on Crown and Central Agencies

As of May 3, 2013, the members of the Committee were:

- Greg Brkich, Chair
- Cathy Sproule, Deputy Chair
- Bob Bjornerud
- Darryl Hickie
- Gene Makowsky
- Scott Moe
- Roger Parent

2.4 Committee Activities: 2012-13

During 2012-13, the Committee met 14 times (2011-12: 7 times). It gave the Assembly one report on the results of its reviews of estimates and bills within its subject area. It did not receive any significant transaction reports.

The Committee did not consider any of our reports during 2012-13. The Committee's consideration of the chapters from our reports about CIC and its subsidiary corporations noted in **Figure 1** remains outstanding.

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[2] Significant transactions are defined by the Committee as those that are material in amount and outside the ordinary course of business, or are judged to be sensitive and likely of interest to legislators and the public.

[3] Rule 143(4) of The Rules and Procedures of the Legislative Assembly of Saskatchewan.

[4] Rule 143(3) of The Rules and Procedures of the Legislative Assembly of Saskatchewan and section 14.1(8) of *The Provincial Auditor Act*.

Figure 1—Portions of Provincial Auditor Reports Referred to the Committee that Remain Outstanding at May 3, 2013

Name	Related Report	Chapter	Number of New Recommendations to be Considered
Saskatchewan Gaming Corporation	2009 Report – Volume 1	10	-
	2010 Report – Volume 1	14	-
	2011 Report – Volume 1	13	1
	2012 Report – Volume 1	14	-
	2012 Report – Volume 1	15	-
Saskatchewan Government Insurance	2009 Report – Volume 1	11	-
	2010 Report – Volume 1	15	3
	2012 Report – Volume 1	16	-
Saskatchewan Opportunities Corporation	2012 Report – Volume 1	18	3
Saskatchewan Power Corporation	2007 Report – Volume 3	23	4
	2008 Report – Volume 1	13	-
	2010 Report – Volume 1	16	2
	2011 Report – Volume 1	14	1
	2011 Report – Volume 2	22	7
	2012 Report – Volume 1	19	1
Saskatchewan Telecommunications Holding Corporation	2009 Report – Volume 1	13	9
	2010 Report – Volume 1	17	1
	2011 Report – Volume 1	16	-
	2012 Report – Volume 1	20	-
Saskatchewan Transportation Company	2009 Report – Volume 1	14	-
Saskatchewan Water Corporation	2009 Report – Volume 1	15	-
	2010 Report – Volume 1	18	6
	2011 Report – Volume 1	17	-
	2012 Report – Volume 1	21	1
SaskEnergy Incorporated	2010 Report – Volume 1	19	1
Standing Committee on Crown and Central Agencies	2009 Report – Volume 1	17	-
	2010 Report – Volume 1	20	-
	2011 Report – Volume 1	20	-
	2011 Report – Volume 2	26	-
	2012 Report – Volume 1	26	-

Source: Committees Branch, Legislative Assembly Service. Standing Committee on Crown and Central Agencies, Outstanding Business–27th Legislature

Also, the Committee's complete review of annual reports of agencies within its subject area for the years 2008, 2009, 2010, and 2011 remains outstanding as of May 3, 2013. **Figure 2** sets out the reviews of annual reports that remain outstanding.

Figure 2—Reviews of Annual Reports Outstanding

Name	Review of Annual Reports Outstanding
CIC Asset Management Inc.	2011
Crown Investments Corporation of Saskatchewan	2008, 2009, 2010, 2011
Information Services Corporation	2008, 2009, 2010, 2011
Saskatchewan Government Insurance	2008, 2009, 2010, 2011
Saskatchewan Power Corporation	2008, 2009, 2010, 2011

Source: Committees Branch, Legislative Assembly Service. Standing Committee on Crown and Central Agencies, Outstanding Business- 27th Legislature

3.0 STATUS OF COMMITTEE RECOMMENDATIONS

Some of the Committee's reports to the Assembly contain recommendations as a result of our audit work. Each year, we follow up the status of the Committee's outstanding recommendations and report their status.

At March 31, 2013, the Committee had four (four–at March 31, 2012) recommendations outstanding—that is, recommendations that the Government has not yet fully implemented. See Chapter 4 – Saskatchewan Water Corporation for a listing and the status of the two outstanding recommendations for that agency.

Figure 3 provides an update on recommendations agreed to by the Committee that are not discussed elsewhere in the Report.

Figure 3—Outstanding Recommendations

Outstanding Recommendations	Status as at March 31, 2013
Crown Investments Corporation of Saskatchewan (2010 Report – Volume 2)	
The Committee concurs:[5] 25.1 Crown Investments Corporation of Saskatchewan maintain current, detailed documentation of definitions and calculation methods for its balanced scorecard measures.	We plan to follow this up in 2013-14.
The Committee concurs: 25.2 Crown Investments Corporation of Saskatchewan confirm that documented calculation methods are appropriate and verify that staff use them to produce balanced scorecard information.	We plan to follow this up in 2013-14.

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[5] Committee Concurs – These are our Office's recommendations that the Committee has supported, agreed, or concurred with. The Committee does not expect a formal response from the Government but does expect the Government to comply with the recommendations. In Figure 3, these recommendations are identified by a number (e.g., 4.1) preceding them. The numbers reflect the chapter and recommendation number of our related report.

Appendix 1
List and Status of Agencies Subject to Examination under *The Provincial Auditor Act*

Appendix 1 lists the ministries, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly, and other agencies which administer public money that were subject to audit examination under *The Provincial Auditor Act* at December 31, 2012.

This Appendix includes the status of those audits at March 31, 2013. The Appendix also indicates whether we have significant issues to report and where the issues are reported.

Our goal is to report the results of our audits of agencies with March fiscal year-ends in the fall and agencies with December fiscal year-ends in the spring. We have not completed the audits at a few agencies. To provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate incomplete audits, but rather include their results in future reports.

Agency	Fiscal Year End	Status at March 31, 2013	Significant Issues Reported
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2012 Rpt V2 & Apr 2013 Rpt
Ministries and Secretariats:			
Enterprise and Innovation programs (now part of Ministry of the Economy)	March 31	Complete	No
Ministry of Advanced Education	March 31	Complete	Yes/2012 Rpt V2
Ministry of Agriculture	March 31	Complete	Yes/2012 Rpt V2
Ministry of Central Services (formerly Ministry of Government Services)	March 31	Complete	Yes/2012 Rpt V2
Ministry of Corrections, Public Safety and Policing (now part of Ministry of Justice and Ministry of Government Relations)	March 31	Complete	Yes/2012 Rpt V2
Ministry of the Economy (formerly Ministry of Energy and Resources)	March 31		Yes/2013 Rpt V1 & 2012 Rpt V2
Ministry of Education	March 31	Complete	Yes/ 2013 Rpt V1 & 2012 V2
Ministry of Environment	March 31	Complete	Yes/2013 Rpt V1 & 2012 Rpt V2
Ministry of Finance	March 31	Complete	Yes/2013 Rpt V1 & 2012 Rpt V2
Ministry of First Nations and Métis Relations (now part of Ministry of Government Relations)	March 31	Complete	No
Ministry of Health	March 31	Complete	Yes/2012 Rpt V2
Ministry of Highways and Infrastructure	March 31	Complete	Yes/2012 Rpt & V2
Ministry of Justice	March 31	Complete	Yes/2013 Rpt V1 & 2012 Rpt V2
Ministry of Labour Relations and Workplace Safety	March 31	Complete	Yes/2012 Rpt V2
Ministry of Municipal Affairs (now part of Ministry of Government Relations)	March 31	Complete	Yes/2012 Rpt V2
Ministry of Social Services	March 31	Complete	Yes/2013 Rpt V1 & 2012 Rpt V2

Agency	Fiscal Year End	Status at March 31, 2013	Significant Issues Reported
Ministry of Tourism, Parks, Culture, and Sport (now Ministry of Parks, Culture and Sport)	March 31	Complete	Yes/2012 Rpt V2
Executive Council	March 31	Complete	No
Information Technology Office (now part of Ministry of Central Services)	March 31	Complete	Yes/2013 Rpt V1 & 2012 Rpt V2
Provincial Capital Commission, Office of the (now part of Ministry of Parks, Culture and Sport)	March 31	Complete	No
Public Service Commission (now part of Ministry of Central Services)	March 31	Complete	Yes/2013 Rpt V1 & 2012 Rpt V2
Crown Agencies:			
101005716 Saskatchewan Ltd.	December 31	Note 1	
101039181 Saskatchewan Ltd.	December 31	Note 1	
101069101 Saskatchewan Ltd.	December 31	Note 1	
617275 Saskatchewan Ltd.	December 31	Note 1	
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No
Avonlea Holding, Inc.	December 31	Note 1	
Battleford International, Inc.	December 31	Note 1	
Bayhurst Energy Services Corporation	December 31	Complete	No
Bayhurst Gas Limited	December 31	Complete	No
Bruno Holdings Inc.	December 31	Note 1	
Carlton Trail Regional College	June 30	Complete	Yes/2012 Rpt V2
Chinook School Division No. 211	August 31	Complete	Yes/2013 Rpt V1 & 2012 Rpt V2
Christ the Teacher Roman Catholic Separate School Division No. 212	August 31	Complete	No
CIC Asset Management Inc.	December 31	Complete	No
CIC Economic Holdco Ltd.	December 31	Note 1	
CIC Foods Inc.	December 31	Note 1	
CIC FTLP Holdings Inc.	December 31	Note 1	
CIC FTMI Holdings Inc.	December 31	Note 1	
CIC OSB Products Inc.	December 31	Note 1	
CIC Pulp Ltd.	December 31	Note 1	
CIC PVF Holdings Inc.	December 31	Note 1	
CIC WLSVF Holdings Inc.	December 31	Note 1	
Coachman Insurance Company	December 31	Complete	No
Community Initiatives Fund	March 31	Complete	No
Conseil des Ecoles Fransaskoises School Division No. 310	August 31	Complete	No
Creighton School Division No. 111	August 31	Complete	No
Crown Investments Corporation of Saskatchewan	December 31	Complete	No
Cumberland Regional College	June 30	Rotational	
Cypress Regional Health Authority	March 31	Complete	Yes/2012 Rpt V2
DirectWest Canada Inc.	December 31	Note 1	
DirectWest Corporation	December 31	Complete	No
eHealth Saskatchewan (formerly Saskatchewan Health Information Network	March 31	Complete	Yes/2012 Rpt V2
Englefeld Protestant Separate School Division No. 132	August 31	Complete	Yes/2013 Rpt V1

Agency	Fiscal Year End	Status at March 31, 2013	Significant Issues Reported
Enterprise Saskatchewan	March 31	Complete	No
First Nations and Métis Fund Inc.	December 31	Complete	No
Five Hills Regional Health Authority	March 31	Complete	Yes/2012 Rpt V2
Global Transportation Hub Authority, The	March 31	Complete	No
Good Spirit School Division No. 204	August 31	Complete	Yes/2012 Rpt V2
Government House Foundation, The	March 31	Complete	No
Gradworks Inc.	December 31	Complete	No
Great Plains College	June 30	Complete	Yes/2012 Rpt V2
HARO Financial Corporation	August 31	Note 1	
Health Quality Council	March 31	Complete	Yes/2012 Rpt V2
Heartland Regional Health Authority	March 31	Complete	Yes/2012 Rpt V2
Holy Family Roman Catholic Separate School Division No. 140	August 31	Complete	No
Holy Trinity Roman Catholic Separate School Division No. 22	August 31	Complete	No
Horizon School Division No. 205	August 31	Complete	Yes/2013 Rpt V1
Ile a la Crosse School Division No. 112	August 31	Complete	Yes/2013 Rpt V1
Information Services Corporation of Saskatchewan	December 31	Complete	No
Innovation Saskatchewan (now part of Ministry of the Economy)	March 31	Complete	No
Insurance Company of Prince Edward Island	December 31	Complete	No
Investment Saskatchewan Holdings Inc.	December 31	Note 1	
Investment Saskatchewan Swine Inc.	December 31	Note 1	
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2012 Rpt V2
Kelsey Trail Regional Health Authority	March 31	Complete	Yes/2012 Rpt V2
Law Reform Commission of Saskatchewan	March 31	Complete	No
Light of Christ Roman Catholic Separate School Division No. 16	August 31	Complete	Yes/2013 Rpt V1
Liquor and Gaming Authority	March 31	Complete	Yes/2012 Rpt V2
Liquor Board Superannuation Commission	December 31	Complete	Yes/2013 Rpt V1
Living Sky School Division No. 202	August 31	Complete	Yes/2013 Rpt V1
Lloydminster Roman Catholic Separate School Division No. 89	August 31	Complete	No
Lloydminster Public School Division No. 99	August 31	Complete	No
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2012 Rpt V2
Manalta Investment Company Ltd.	December 31	Note 1	
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Métis Development Fund	December 31	Complete	No
Municipal Employees' Pension Commission	December 31	Complete	Yes/2013 Rpt V1
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Nokomis Holding, Inc.	December 31	Note 1	
North East School Division No. 200	August 31	Complete	Yes/2013 Rpt V1
North Sask. Laundry & Support Services Ltd.	March 31	Delayed	Yes/2012 Rpt V2
North West Regional College	June 30	Rotational	
Northwest School Division No. 203	August 31	Complete	Yes/2012 Rpt V2

Agency	Fiscal Year End	Status at March 31, 2013	Significant Issues Reported
Northern Lights School Division No. 113	August 31	Complete	Yes/2013 Rpt V1
Northlands College	June 30	Rotational	
Northpoint Energy Solutions Inc.	December 31	Complete	No
Operator Certification Board	March 31	Complete	No
Owners, The: Condominium Corporation No. 101100609	March 31	Complete	No
Parkland Regional College	June 30	Rotational	
Physician Recruitment Agency of Saskatchewan	March 31	Complete	No
Power Corporation Superannuation Plan	December 31	Complete	Yes/2013 Rpt V1Note 2
Power Greenhouses Inc.	December 31	Complete	No
Prairie Agricultural Machinery Institute	March 31	Complete	No
Prairie North Regional Health Authority	March 31	Complete	Yes/2013 Rpt V1 & 2012 Rpt V2
Prairie South School Division No. 210	August 31	Complete	No
Prairie Spirit School Division No. 206	August 31	Complete	No
Prairie Valley School Division No. 208	August 31	Complete	Yes/2012 Rpt V2
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2012 Rpt V2
Prince Albert Roman Catholic Separate School Division No. 6	August 31	Complete	Yes/2013 Rpt V1 & 2012 Rpt V2
Public Employees Pension Plan	March 31	Complete	No
Public Service Superannuation Board	March 31	Complete	No
Qu'Appelle Holding, Inc.	December 31	Note 1	
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2013 Rpt V1 & 2012 Rpt V2
Regina Roman Catholic Separate School Division No. 81	August 31	Complete	Yes/2013 Rpt V1
Regina School Division No. 4	August 31	Complete	Yes/2013 Rpt V1
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	No
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	No
3sHealth (formerly Saskatchewan Association of Health Organizations)	March 31	Complete	Yes/2012 Rpt V2
Saskatchewan Auto Fund	December 31	Complete	No
Saskatchewan Cancer Agency	March 31	Complete	No
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	Yes/2013 Rpt V1 & 2012 Rpt V2
Saskatchewan Development Fund Corporation	December 31	Complete	No
Saskatchewan First Call Corporation	December 31	Note 1	
Saskatchewan Gaming Corporation	December 31	Complete	No
Saskatchewan Government Growth Fund III Ltd.	December 31	Delayed	
Saskatchewan Government Insurance	December 31	Complete	No
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	Yes/2013 Rpt V1

Agency	Fiscal Year End	Status at March 31, 2013	Significant Issues Reported
Saskatchewan Immigrant Investor Fund Inc.	December 31	Complete	No
Saskatchewan Impaired Driver Treatment Centre Board of Governors	March 31	Complete	No
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2012 Rpt V2
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	No
Saskatchewan Legal Aid Commission	March 31	Complete	No
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	No
Saskatchewan Opportunities Corporation	December 31	Complete	No
Saskatchewan Pension Annuity Fund	March 31	Complete	No
Saskatchewan Pension Plan	December 31	Complete	No
Saskatchewan Power Corporation	December 31	Complete	No
Saskatchewan Research Council	March 31	Complete	No
Saskatchewan Rivers School Division No. 119	August 31	Complete	Yes/2013 Rpt V1
Saskatchewan Telecommunications	December 31	Complete	Yes/2013 Rpt V1
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	Yes/2013 Rpt V1
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Telecommunications International (Tanzania) Ltd.	December 31	Note 1	
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
Saskatchewan Transportation Company	December 31	Complete	No
Saskatchewan Valley Potato Corporation	December 31	Note 1	
Saskatchewan Water Corporation	December 31	Complete	Yes/2013 Rpt V1
Saskatoon Regional Health Authority	March 31	Complete	Yes/2013 Rpt V1 & 2012 Rpt V2
Saskatoon School Division No. 13	August 31	Complete	Yes/2013 Rpt V1
SaskEnergy Incorporated	December 31	Complete	Yes/2013 Rpt V1
SaskEnergy International Incorporated	December 31	Note 1	
SaskEnergy Nova Scotia Holdings Ltd.	December 31	Note 1	
SaskPower International Inc.	December 31	Note 1	
SaskTel International Consulting, Inc.	December 31	Note 1	
SaskTel Investments Inc.	December 31	Note 1	
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SGC Holdings Inc.	December 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	No
Shellbrook Holding, Inc.	December 31	Note 1	
South East Cornerstone School Division No. 209	August 31	Complete	Yes/2013 Rpt V1
Southeast Regional College	June 30	Complete	No
St. Paul's Roman Catholic Separate School Division No. 20	August 31	Complete	Yes/2013 Rpt V1 & 2012 Rpt V2
Sun Country Regional Health Authority	March 31	Complete	Yes/2012 Rpt V2
Sun West School Division No. 207	August 31	Complete	Yes/2013 Rpt V1
Sunrise Regional Health Authority	March 31	Complete	Yes/2013 Rpt V1 & 2012 Rpt V2
Swan Valley Gas Corporation	December 31	Note 1	
Teachers' Superannuation Commission	June 30	Complete	No
Technical Safety Authority of Saskatchewan, The	June 30	Complete	No

Agency	Fiscal Year End	Status at March 31, 2013	Significant Issues Reported
TecMark International Commercialization Inc.	March 31	Complete	No
Tourism Saskatchewan	September 30	Complete	No
TransGas Limited	December 31	Complete	No
University of Regina Crown Foundation	April 30	Complete	No
University of Saskatchewan Crown Foundation	April 30	Complete	No
Water Appeal Board	March 31	Complete	No
Water Security Agency (formerly Saskatchewan Watershed Authority)	March 31	Complete	Yes/2013 Rpt V1 & 2012 Rpt V2
Western Development Museum	March 31	Complete	No
Workers' Compensation Board	December 31	Complete	No
Pension Plan for Employees of the Saskatchewan Workers' Compensation Board	December 31	Complete	No
Special Purpose and Trust Funds:			
Capital Pension Plan	December 31	Complete	No
Commercial Revolving Fund	March 31	Complete	No
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Criminal Property Forfeiture Fund	March 31	Complete	No
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	Yes/2013 Rpt V1
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	No
Extended Health Care Plan for Retired Employees	December 31	Complete	No
Fish and Wildlife Development Fund	March 31	Complete	No
General Revenue Fund	March 31	Complete	Yes/2012 Rpt V2 & Apr 2013 Rpt
Growth and Financial Security Fund	March 31	Note 3	
Horned Cattle Fund	March 31	Complete	No
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31	Complete	No
Institutional Control Monitoring and Maintenance Fund	March 31	Complete	No
Institutional Control Unforeseen Events Fund	March 31	Complete	No
Judges of the Provincial Court Superannuation Plan	March 31	Complete	No
Livestock Services Revolving Fund	March 31	Complete	No
Northern Municipal Trust Account	December 31	Complete	Yes/2013 Rpt V1
Oil and Gas Orphan Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	No
Prince of Wales Scholarship Fund	March 31	Complete	No
Provincial Mediation Board Trust Accounts	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	No
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	No
Public Employees Disability Income Fund	December 31	Complete	No
Public Employees Group Life Insurance Fund	December 31	Complete	No

Agency	Fiscal Year End	Status at March 31, 2013	Significant Issues Reported
Public Guardian and Trustee for Saskatchewan	March 31	Complete	No
Queen's Printer Revolving Fund	March 31	Complete	No
Residential Tenancies, Office of - Director's Trust Account	March 31	Complete	No
SAHO Core Dental Plan	December 31	Complete	No
SAHO Disability Income Plan – CUPE	December 31	Complete	No
SAHO Disability Income Plan – SEIU	December 31	Complete	No
SAHO Disability Income Plan – General	December 31	Complete	No
SAHO Disability Income Plan – SUN	December 31	Complete	No
SAHO Group Life Insurance Plan	December 31	Complete	No
SAHO In-scope Extended Health/ Enhanced Dental Plan	December 31	Complete	No
SAHO Master Trust Combined Investment Fund	December 31	Complete	No
SAHO Out-of-scope Extended Health/ Enhanced Dental Plan	December 31	Complete	No
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	No
Saskatchewan Financial Services Commission Fund (now the Financial and Consumer Affairs Authority)	March 31	Complete	No
Saskatchewan Government Insurance Service Recognition Plan	December 31	Complete	No
Saskatchewan Legal Aid Commission Area Office's Lawyers' Trust Accounts	March 31	Complete	No
Saskatchewan Power Corporation Designated Employee Benefit Plan	December 31	Complete	No
Saskatchewan Power Corporation Severance Pay Credits Plan	December 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	No
Saskatchewan Water Corporation Retirement Allowance Plan	December 31	Complete	No
Saskatchewan Watershed Authority Retirement Allowance Plan	March 31	Complete	No
SaskEnergy Retiring Allowance Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
Social Services Central Trust Account	March 31	Complete	No
Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund	March 31	Complete	No
Social Services Valley View Centre Residents' Trust Account	March 31	Complete	No
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	No
Teacher's Dental Plan	June 30	Complete	Yes/2012 Rpt V2
Teacher's Disability Plan	June 30	Complete	No
Teacher's Group Life Plan	August 31	Complete	No
Technology Supported Learning Revolving Fund	March 31	Complete	No
Training Completions Fund	March 31	Complete	No

Agency	Fiscal Year End	Status at March 31, 2013	Significant Issues Reported
Transportation Partnerships Fund	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Offices of the Legislative Assembly:			
Advocate for Children and Youth, Office of the (formerly Children's Advocate, Office of the)	March 31	Complete	No
Board of Internal Economy/Legislative Assembly Service	March 31	Complete	No
Chief Electoral Office	March 31	Complete	No
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No
Ombudsman, Office of the	March 31	Complete	No
Other Agencies Subject to Examination Under *The Provincial Auditor Act*:			
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Delayed	
Pension Plan for the Academic and Administrative Employees of the University of Regina	December 31	Delayed	
University of Regina Non-Academic Pension Plan	December 31	Delayed	
University of Regina, The	April 30	Complete	Yes/2013 Rpt V1 & 2012 Rpt V2
University of Saskatchewan 1999 Academic Pension Plan	December 31	Delayed	
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Delayed	
University of Saskatchewan Academic Long-term Disability Plan	December 31	Delayed	
University of Saskatchewan Academic Employees' Pension Plan	December 31	Delayed	
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Delayed	
University of Saskatchewan, The	April 30	Complete	No

Note 1: These entities are wholly- or partially-owned subsidiary corporations that are included in the consolidated financial statements of a parent Crown agency.

Note 2: The agency does not have adequate processes to ensure retired members who returned to work for the Government are paid in accordance with the *Superannuation (Supplementary Provisions) Act*. Our *2001 Spring Report* contains further information on this matter.

Note 3: The Ministry of Finance does not prepare financial statements for this Fund.

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1. "Complete" – the audit was complete at March 31, 2013.
   "Delayed" – the audit was delayed.
   "Rotational" – for a few sectors (e.g., regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at March 31, 2013 as "Complete". We list the other entities as "Rotational".

2. "No" - no significant issues were reported.
   "Yes/2012 Rpt V2" – significant issues are reported in our *2012 Report – Volume 2*.
   "Yes/Apr 2013 Rpt" – significant issues are reported in our *April 2013 Report– The Need to Change – Modernizing Government Budgeting and Financial Reporting in Saskatchewan*.
   "Yes/2013 Rpt V1" – significant issues are reported in our *2013 Report – Volume 1*.

Appendix 2
Samples of Opinions We Form on Ministries, Crown Agencies, and Crown-Controlled Corporations

Our mission states: "To serve the Members of the Legislative Assembly and the people of Saskatchewan, we provide independent assurance and advice on the management, governance, and effective use of public resources." To fulfill our mission we examine and provide independent assurance (conclusions) and advice on:

- The adequacy of the Government's management of public resources
- The Government's compliance with legislative authorities
- The reliability of the Government's public performance reports

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions. The following are samples of our audit opinions.

1. The Adequacy of the Government's Management of Public Resources

I have audited [Crown agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgments about the effectiveness of [Crown agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements published in the CICA Handbook - Assurance. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of [Crown agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgment in decision making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In my opinion, based on the limitations noted above, [Crown agency X]'s control was effective, in all material respects, to meet the objectives stated above as of [date] based on the CICA criteria of control framework.

2. The Government's Compliance with Legislative Authorities

I have made an examination to determine whether [Crown agency X], complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding public resources, spending, revenue raising, borrowing and investing activities during the year ended [Year end]:

> *(List legislative and related authorities covered by this report. This list must include all governing authorities.)*

My examination was made in accordance with standards for assurance engagements published in the CICA Handbook - Assurance, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [Year end].

3. The Reliability of Financial Statements

I have audited the accompanying financial statements of [Crown agency X], which comprise the [balance sheet] as at [Year end], and the [income statement], [statement of changes in equity] and [cash flow statement] for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with [acceptable financial reporting framework] for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of [Crown agency X] as at [Year end], and [insert appropriate wording to describe financial results] for the year then ended in accordance with [acceptable financial reporting framework].

2012 Forage Crops Chart – Recommended Herbicides

REFER TO THE 2011 GUIDE TO CROP PROTECTION AND PRODUCT LABELS FOR COMPLETE DETAILS

CROPS (S = seedling only; E = established only; X = seedling or established)

	HERBICIDES	Weed Resistance Grouping	GRASSES																					
			Annual Ryegrass	Altai Wild Rye Grass	Bromegrass	Creeping Red Fescue	Crested Wheatgrass	Intermediate Wheatgrass	Kentucky Bluegrass	Meadow Fescue	Meadow Foxtail	Millets	Northern Wheatgrass	Orchardgrass	Pubescent Wheatgrass	Reed Canarygrass	Russian Wild Ryegrass	Ryegrass, Perennial	Slender Wheatgrass	Streambank Wheatgrass	Tall Fescue	Tall Wheatgrass	Timothy	Western Wheatgrass
☠	2,4-D[8]	4	X	X	X	X	X	X	X	X	X	S	X	X	X	X	X		X	X	X	X	X	X
▽	2,4-DB[5]	4			S[4]	S[4]	S[4]	S[4]		S[4]				S[4]						S[4]	S[4]	S[4]	S[4]	
☠	ATTAIN XC	4			X[2]	X[2]	X[2]	X[2]													X[2]		X[2]	
◈	AVADEX BW	8																						
◈	AVENGE[1, 17]	6			S[1]	S[1]	S[1]		S[1]	S[1]	S			S[1]	S	S[1]	S[1]			S	S	S	S[1]	
◈	BASAGRAN	6			S[2]	S[2]	S[2]				S[2]	S		S[2]									S[2]	
◈	BROMOXYNIL[6]	6			S[2]	S[2]	S[2]	S[2]		S[2]		S		S[2]		S[2]	S[2]		S[2]			S[2]	S[2]	
☠	BROMOXYNIL / MCPA ester[3]	4,6			S[2]	S[2]	S[2]	S[2]		S[2]	S[2]			S[2]		S[2]	S[2]		S[2]	S[2]	S[2]	S[2]	X	
—	CLETHODIM[6]	1																						
▽	CURTAIL M	4																					E	
☠	DICAMBA + 2,4-D	4			S	S	S	S		S	S			S	S				S	S	S	S	S	
▽	DICAMBA / MECOPROP / MCPA[8]	4			X[2]	X[2]	X[2]	X[2]	E[2]	E[2]	X[2]			X[2]	E[2]				E[2]	E[2]	E[2]	E[2]	X[2]	E[2]
—	EDGE	3																						
▽	EPTAM 8-E	8																						
—	FENOXAPROP[3]	1			X[2, 10]													S[2]						
	IMAZAMETHABENZ[6]	2	X[2]																					
▽	IMAZETHAPYR[6]	2																						
◈	INFINITY	6,27																					X[2]	
▽	KERB	15																						
▽	LONTREL	4		X	X	X	X	X	X	X	X			X		X	X		X	X	X	X[6]	X	
◈	MCPA[5]	4	X[5]		X[5]	X[5]	X[5]	X[5]	X[5]	X[5]				X[5]		X[5]	X[5]		X[5]			X[5]	X[5]	
☠	MCPB + MCPA[5]	4		S[4]	S[4]	S[4]	S[4]	S[4]		S[4]			S[4]		S[4]	S[4]	S[4]		S[4]	S[4]	S[4]	S[4]	S[4]	S[4]
▽	METSULFURON[8]	2				X	X	X						X										
—	ODYSSEY	2																						
▽	POAST ULTRA	1				X[2]																		
☠	PRESTIGE XC	4			X[2]	X[2]	X[2]	X[2]													X[2]		X[2]	
▽	PRINCEP NINE-T	5																						
☠	QUIZALOFOP[6]	1				X[2]																		
▽	SPECTRUM	2,4			X[2]	X[2]	X[2]	X[2]													X[2]		X[2]	
—	THIFENSULFURON / TRIBENURON[7]	2			X	X	X	X	E				X	X	X				X	X	X	X		X
—	TRALKOXYDIM[6]	1			X[2]	X[2]	X[2]	X[2]					S[2]						S[2]					S[2]
◈	TRIFLURALIN[6]	3																						
▽	VELPAR DF	5																						

HERBICIDES	LEGUMES								COVER CROPS					GRASSES (WEEDS)					
	Alfalfa	Alsike Clover	Cicer Milkvetch	Red Clover	Sainfoin	Sweet Clover	Trefoil, Bird's-foot	White Dutch Clover	Barley	Flax	Oats	Canola	Wheat	Barnyard Grass	Foxtail, Barley	Foxtail, Green	Foxtail, Yellow	Quackgrass	Wild Oats
2,4-D[8]									X				X						
2,4-DB[5]	S	S		S			S	S	X		X		X						
ATTAIN XC																			
AVADEX BW	S[1]	S[1]		S[1]		S[1]	S[1]		X	X		X	X						●
AVENGE[1, 17]	S[1]			S[1]		S[1]	S[1]		X				X[10]						●
BASAGRAN	X[2]	S[2]		S[2]	X[2]	E[2]				X									
BROMOXYNIL[6]	X[2]								X	X	X		X						
BROMOXYNIL / MCPA ester[3]									X	X	X		X						
CLETHODIM[6]	S									X		X		●		●	●	S	●
CURTAIL M									X	X	X		X						
DICAMBA + 2,4-D									X				X						
DICAMBA / MECOPROP / MCPA[8]									X		X		X						
EDGE	S[7]											X		●		●	●		S
EPTAM 8-E	S		S[7]			S[7]	S							●		●	●	S	●
FENOXAPROP[3]														●		●	●		●
IMAZAMETHABENZ[6]																			●
IMAZETHAPYR[6]	X[11]											X[11]				S			
INFINITY									X				X						
KERB	X						E								●			●	●
LONTREL									X	X	X	X	X						
MCPA[5]	S[3,5]	S[5]		S[5]					X	X	X		X						
MCPB + MCPA[5]	S[2,3]	S		S				S	X		X		X						
METSULFURON[8]									X				X						
ODYSSEY	X[2]						X[2]							●		●			●
POAST ULTRA	X	X	X		X	X				X		X		●	S	●	●	S	●
PRESTIGE XC									X				X						
PRINCEP NINE-T	E						E							●			●		●
QUIZALOFOP[6]	X[2]	S[2]	S[2]	S[2]	S[2]	S[2]	S[2]	S[2]		X		X		●	S	●	●	S	●
SPECTRUM									X		X		X						
THIFENSULFURON / TRIBENURON[7]									X		X		X						
TRALKOXYDIM[6]	S[1]	S[1]		S[1]	S[1]	S[1]	S[1]	S[1]	X				X	●		●	●		●
TRIFLURALIN[6]	S[14]	S[14]	S[14]	S[14]	S[12]	S[13]	S[14]			X[2]		X		●		●	●		●
VELPAR DF	E[2]																		

WEEDS

HERBICIDES	BROADLEAF WEEDS																						
	Bindweed, Field	Bluebur	Buckwheat, Wild	Burdock	Catchfly, Night-flowering	Chickweed	Cleavers	Cockle, Cow	Cocklebur	Dandelion	Dock, Curled	Flixweed	Goat's-beard	Goosefoot, Oak-leaved	Hawk's-beard, Narrow-leaved	Hemp-nettle	Knotweed, Prostrate	Kochia	Lamb's-quarters	Lettuce, Prickly	Mustard, Ball	Mustard, Dog	Mustard, Hare's-ear
2,4-D[8]		●		●					●	☐	●	●g	●	●	●g			●	●	●	●	●	●
2,4-DB[5]	☐		●							☐	S			●	●				●		●		
ATTAIN XC	☐h	●	●	●		S	●		●	●g,h	●h	●	●	●h				●	●	●	●	●h	●
AVADEX BW																							
AVENGE[1, 17]																							
BASAGRAN	☐					●	●		●										●				
BROMOXYNIL[6]		●	●					●	●									●	●				
BROMOXYNIL / MCPA ester[3]		●	●		●			●	●			●						●	●		●		
CLETHODIM[6]																							
CURTAIL M			●	●					●	●h		●g						S	●	●			
DICAMBA + 2,4-D		●	●	●			●	●	●			●	●		●g			●	●	●	●		●
DICAMBA / MECOPROP / MCPA[8]	☐		●		●		●	●				●				●	●	●	●		●		
EDGE			●			●	S	●								S		●	●				
EPTAM 8-E						●													●				
FENOXAPROP[3]																							
IMAZAMETHABENZ[6]			S																				
IMAZETHAPYR[6]																							
INFINITY			●			●	●			S		●				●		●	●				
KERB						●																	
LONTREL			●																				
MCPA[5]		●		●					●		●	●		●		Sd		●	●	●	●	●	●
MCPB + MCPA[5]	☐										●					S			●		●		
METSULFURON[8]		●	S			●		●				●				●		●[1]	S		●		
ODYSSEY			S			●	●					●				S		S	S				
POAST ULTRA																							
PRESTIGE XC			●			S	●			●g		●g				S		●	●				
PRINCEP NINE-T			●																●				
QUIZALOFOP[6]																							
SPECTRUM			●			●	●			●		●g				●			●				
THIFENSULFURON / TRIBENURON[7]			●			●	S	●				●		●		●			●		●		
TRALKOXYDIM[6]																							
TRIFLURALIN[6]			●			●		●									●		●				
VELPAR DF										☐				●									

HERBICIDES	BROADLEAF WEEDS																							VOLUNTEER CROPS				
	Mustard, Indian	Mustard, Tumble	Mustard, Wild	Mustard, Wormseed	Pigweed, Prostrate	Pigweed, Redroot	Pigweed, Russian	Plantain, Common	Purslane	Radish, Wild	Ragweed, Common	Ragweed, False	Ragweed, Giant	Russian Thistle	Scentless Chamomile	Shepherd's-Purse	Smartweed, Lady's-Thumb	Sow-Thistle, Annual	Sow-Thistle, Perennial	Stinkweed	Sunflower, Prairie/Annual	Sweet Clover, White	Thistle, Canada	Cereal Grains (Wheat, Barley)	Cereal Grains (Oats)	Flax	Canola	Alsike Clover
2,4-D[8]	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●g	●	●	☐	●g	☐	●	☐				●	
2,4-DB[5]			●	●		●		●			●	●	●			●	S		☐	●			☐					
ATTAIN XC	●	●	●	●		●h		●		●	●	●	●	●h		●	●h	S	☐	●	●	●	☐			●	●	
AVADEX BW																												
AVENGE[1, 17]																												
BASAGRAN			●			S			●	●	●			S		●	●			●			☐				●	
BROMOXYNIL[6]			●		●	●	●				●			●			●			●								
BROMOXYNIL / MCPA ester[3]			●	●		●f					●			●	●g	●	●		☐	●	●		☐				●	
CLETHODIM[6]																								●	●			
CURTAIL M			●			●	●	☐		●	●	●	●		●g	●g	●	●	☐	●g	●		☐				●	
DICAMBA + 2,4-D	●	●	●	●		●	●	●		●	●	●	●	●		●	●		☐		●	●	☐				●	
DICAMBA / MECOPROP / MCPA[8]			●	●	●	●					●			●		●	●	●	☐	●	●		☐				●	
EDGE					●	●			●					S			S							S				
EPTAM 8-E					●	●			●															●	●			
FENOXAPROP[3]																												
IMAZAMETHABENZ[6]			●																	●								
IMAZETHAPYR[6]			●			●										S	●			●							●a	
INFINITY			●			●					●			●		●	●	●	S	●			S				●	
KERB																								●	●			
LONTREL											●				●				☐				●					●
MCPA[5]	●	●	●	●		●	●				●	●	●	☐		●g		☐	☐	●g			☐					
MCPB + MCPA[5]			●	●		●		●		S	●	●	●			●		S	☐	●			●				●	
METSULFURON[8]			●		●	●								S	●	●	●	S	S	●			S				●a	
ODYSSEY			●			●								●		●	●			●				●a	●		●a	
POAST ULTRA																								●	●			
PRESTIGE XC			●			●	●								●	●	●	●	S	●	●		S			●	●	
PRINCEP NINE-T									●		●	●	●				●					●						●
QUIZALOFOP[6]																								●	●			
SPECTRUM			●			●										●	●	●	S	●			●				●	
THIFENSULFURON / TRIBENURON[7]			●			●								●	S	●	●		S	●	●		S				●a	
TRALKOXYDIM[6]																									●			
TRIFLURALIN[6]						●			●					●														
VELPAR DF															●				☐									

Poison Hazard
See Safe Use of Herbicides, Fungicides and Insecticides Section in 2011 Guide to Crop Protection

☠ Danger ◈ Warning ▽ Caution — No warning symbol required

NOTES: CROPS

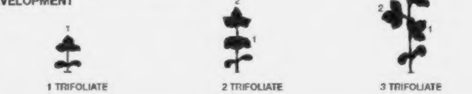
1. Underseeded only.
2. For seed production only.
3. Seedlings for seed production only. Established for seed or forage.
4. Do not graze or harvest for livestock in the year of treatment.
5. Use MCPA sodium salt on seeding forages only when underseeded to flax, oats, wheat or barley. Do not use on Flemish varieties of alfalfa.
6. For use as a spot treatment only to control red bartsia.
7. Apply the fall prior to seeding.
8. All products may not be registered for crops and weeds indicated. Check product labels.
9. For forage production only.
10. Check recommendations for varietal restrictions.
11. CLEARFIELD varieties only.
12. Liquid formulations in spring only.
13. Advance 10G, Bonanza 10G, Treflan E.C. (spring only).
14. Treflan E.C. in spring only.
15. Seed production only. Apply to seedling stands that will be in production for three years after application and established stands that will be in production for 2 years after application.
15. May not include solin. Check product label for restrictions.
17. Grasses may show injury in year of application.

LEGEND: WEEDS

- ● Controlled by rates recommended for crops. Where more than one brand is recommended, the weed may not appear on all labels.
- ☐ Top growth suppression only.
- S Suppression.
- a Will not control CLEARFIELD varieties.
- b Do not use the quackgrass rate in seedling sweet clover or seedling alsike clover.
- d Controlled by MCPAK only.
- f Controls redroot pigweed only when a cereal cover crop is used.
- g Spring seedlings only.
- h Controlled only when growing rapidly.
- k Spring germinating rosettes.

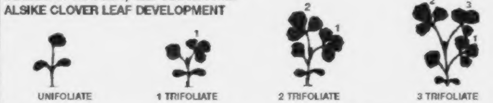
[1] Note: Surveys have found that 90% of fields have group 2 resistant kochia. Group 2 herbicides alone will not likely provide effective control.

STAGES OF BIRD'S-FOOT TREFOIL LEAF DEVELOPMENT



1 TRIFOLIATE 2 TRIFOLIATE 3 TRIFOLIATE

STAGES OF ALFALFA, RED CLOVER AND ALSIKE CLOVER LEAF DEVELOPMENT



UNIFOLIATE 1 TRIFOLIATE 2 TRIFOLIATE 3 TRIFOLIATE

For information on pasture weed control, consult the "Weed Control in Pastures and Hayfields" table in the *2011 Guide to Crop Protection.*